



## League of Women Voters of Minnesota Records

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**AN ACT DECLARING THE POLICY OF THE STATE WITH RESPECT TO  
THE TAXATION OF TACONITE AND SEMI-TACONITE, AND FACILI-  
TIES FOR THE MINING, PRODUCTION, AND BENEFICIATION THERE-  
OF.**

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA

Section 1. The combined occupation, royalty, and excise taxes imposed upon or required to be paid with respect to the mining, production, or beneficiation of taconite or semi-taconite by any person or corporation engaged in such mining, production, or beneficiation, shall not be increased so as to exceed the greater of

*(EXPLANATION: Note that this does not FREEZE the present taxes; it provides that the Legislature may impose the GREATER of the two forms mentioned in (a) and (b).)*

(a) the amount which would be payable if such taxes were computed under the laws in existence as of July 1, 1963,

*(EXPLANATION: This is intended to authorize the Legislature to maintain the present level of occupation and royalty taxes on taconite or semi-taconite, even though that level may EXCEED the taxes which would be payable under the corporate tax law.)*

(b) the amount which would be payable if such person or corporation were taxed with respect to such mining, production, or beneficiation under the income, franchise, and excise tax laws generally applicable to manufacturing corporations transacting business within the state, as such laws may be enacted or amended from time to time,

*(EXPLANATION: Note again that this does not FREEZE the limitation set forth in (b) at present levels. If, in future years, the legislature increases the level of income taxes on manufacturing corporations, this limitation on taconite taxes will be raised proportionately.)*

except that for the purpose of the computation under this clause (b)

(1) income shall be apportioned to Minnesota in the manner which may be otherwise specified by law;

*(EXPLANATION: There has been some criticism that the exceptions set forth make the statute complicated; however, all of them were inserted to meet objections raised by legislators. Primarily these exceptions are inserted to protect the Legislature's right to deal with certain aspects of taconite and semi-taconite production and sale in a manner which would yield a HIGHER amount of taxes than if the exceptions were not set forth.)*

Thus, the purpose of the clause (1) is to give the legislature a free hand in apportioning income between Minnesota and other states where part of the taconite company's business is in Minnesota and part out of the state. It permits the Legislature to attribute to Minnesota a higher percentage of net profits of a taconite corporation than is attributed under the income tax laws of the state in the case of certain manufacturing corporations. For instance, in the case of other corporations manufacturing within the state and selling outside the state, the income tax recognizes that a substantial part of the profits should be attributed to the sales outside the state and only a designated percentage to the manufacturing within the state; thus, the present formula (Section 290.10) in the case of companies manufacturing within the state and selling outside the state assigns 70% of the net income to sales, 15% to property, and 15% to payrolls; if 100% of sales were made outside the state, only 30% of the net income would be taxed. Because practically all taconite would be sold and shipped outside the state, the Legislature insisted that they be able to apply a different formula; for instance, that they be free to assign 50%, 75%, or even 100% of the net income to Minnesota, even though all the sales were outside the state. To that extent it permits substantially higher taxation of taconite companies than of other manufacturing corporations.)

- (2) operating losses shall be carried forward from one taxable year to another only to the extent which may be otherwise permitted by law;

(EXPLANATION: Again, the Legislature wished to preserve the right to restrict the carrying forward of losses from year to year and apply a different method in the case of taconite operators than in the case of other corporations. This was supported by the argument that it would be expected that taconite companies would probably lose money for a substantial number of years, and should not be permitted to carry forward all those losses as deductions against profits in later years; again, it would authorize higher taxation of taconite companies than of ordinary manufacturing corporations.)

and

- (3) the market value of the taconite and semi-taconite, or the beneficiated product thereof, at the point where the beneficiation processes within the state are completed may be treated by law as gross income from the business of mining, producing, and beneficiating taconite or semi-taconite,

(EXPLANATION: Because it was recognized that some of the taconite produced might be turned over by a taconite company to its steel company stockholders at COST or at a discounted price, the Legislature insisted on freedom to measure the tax on the basis of a computed gross income based on the market value of the taconite.)

provided that if such market is used, to the extent that federal income taxes are deductible in computing taxes of manufacturing corporations generally, deductions shall be computed and allowed as if such taxes had been computed, assessed, and paid under the federal income tax laws with the market value of the taconite or semi-taconite or the beneficiated product thereof constituting the gross receipts for the purpose of determining gross income from the business of mining, producing, or beneficiating taconite or semi-taconite.

*(EXPLANATION: Because of the insertion of the provision explained above, the Legislature had to permit the deduction of a COMPUTED federal income tax from the COMPUTED profit in the case of a company turning over the taconite produced to a parent corporation at cost. In other words, both this provision and the preceding one were intended to authorize the Legislature to provide the methods of computing the income tax that would be payable in the case of a taconite company operating as a subsidiary of a steel company.)*

Section 2. Taxes imposed upon the mining or quarrying of taconite or semi-taconite and upon the production of iron ore concentrates therefrom, which are in lieu of a tax on real or personal property, shall not be considered to be occupation, royalty, or excise taxes within the meaning of this act.

*(EXPLANATION: The purpose of this provision is to make clear that the amendment would limit state taxes only, and not local city, village, or school taxes, and that so-called production or tonnage tax imposed in lieu of ad valorem taxes, could be repealed, modified, or increased by subsequent legislatures.)*

Section 3. For the purpose of this act "taconite" and "semi-taconite" shall have the meaning given to them by laws in existence at the time of the adoption of this act.

*(EXPLANATION: The Legislature has adopted in this law the definitions of taconite and semi-taconite set forth in Section 298.23 and 298.34, respectively. Both definitions make clear that they are applicable only to iron formation in which the iron oxide particles are so small that fine grinding to less than 20 mesh — to pass a screen with 400 openings to the square inch — is necessary to permit separation from the silica (rock); that they are not applicable to any ores which can be made merchantable by methods of concentration, such as washing, jigging, heavy media separation, etc., which have been used for years on natural ores. The difference between taconite and semi-taconite is primarily that taconite at the eastern end of the Range is a hard unaltered rock formation; the semi-taconite from the Itasca County area may have been partially broken down so that it is not necessarily in a hard rock form and is non-magnetic.)*



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\* \* \* \* \*

QUESTIONS as to the constitutionality of the proposed taconite amendment are being asked by many people, including constitutional lawyers.

Article XIV of the Minnesota constitution provides the method whereby amendments to the constitution may be adopted. It says:

"If two or more alterations or amendments shall be submitted at the same time, it shall be so regulated that the voters shall vote for or against each separately."

The taconite amendment, to be known as Article XXI of the constitution of the state of Minnesota, reads as follows:

ARTICLE XXI

"Section 1. Notwithstanding any other provision of this constitution, Laws of Minnesota 1963, Chapter 81, relating to the taxation of taconite and semi-taconite, and facilities for the mining, production and beneficiation thereof shall not be repealed, modified or amended, nor shall any laws in conflict therewith be valid, for a period of 25 years after the adoption of this amendment; and laws may be enacted, fixing or limiting for a period of not more than 25 years but not extending beyond the year 1990, the tax to be imposed upon persons or corporations engaged in (1) the mining, production or beneficiation of copper, (2) in the mining, production or beneficiation of copper-nickel, or (3) in the mining, production or beneficiation of nickel. Taxes imposed upon the mining or quarrying of taconite or semi-taconite and upon the production of iron ore concentrates therefrom, which are in lieu of a tax on real or personal property, shall not be considered to be occupation, royalty, or excise taxes within the meaning of this amendment."

The underlining of certain words in this article is for purposes of this discussion. The wording "notwithstanding any other provision of this constitution" clearly implies the alteration or amendment of other parts of the Minnesota constitution which are in conflict with the taconite amendment. These "other provisions" of the constitution which are thus altered or amended to conform to the taconite amendment are not presented to the voter nor placed on the ballot in any way which makes it possible for him to "vote for or against each separately" as required by Article XIV of the constitution.

To make matters still worse, the voter will find no mention on the ballot that the "notwithstanding" provision is part of the taconite amendment. If he votes "yes", he will be hoodwinked into altering Article I, the Bill of Rights, Section 1, and Article IX, Section 1, of the constitution, without knowing that this is the effect of his "yes" vote.

The taconite amendment, as proposed, whether intentional or not, is a trap to catch the unwary voter and lure him, by a single blind vote for the taconite amendment, to give away to the taconite industry the most sacred and sovereign rights of our people -- as they are now written into our state constitution.

The Minnesota constitution, Article I, Bill of Rights, Section 1, says: "Government is instituted for the security, benefit and protection of the people, in whom all political power is inherent, together with the right to alter, modify or reform such government, whenever the public good may require it." The taconite amendment gives this right away for 25 years.

Article IX, Section 1, of the constitution, says: "The power of taxation shall never be surrendered, suspended or contracted away." The taconite amendment gives this sovereign power away, to the taconite industry, for 25 years.

VOTE "NO" AND PROTECT THE CONSTITUTION.

\* \* \* \* \*

Citizens' Committee for the  
TACONITE AMENDMENT #1  
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OPINIONS OF LEADING CITIZENS

DR. CHARLES W. MAYO, M. D., CHAIRMAN

"The proposed Taconite Amendment to our Minnesota Constitution deserves the support of every Minnesotan. The passage of this amendment means jobs for many, many of our people. It means payrolls rather than poverty. It means increased tax revenues rather than increased welfare expenditures.

"This Amendment will not freeze the amount of taxes paid by the Taconite Industry, but rather will encourage the development of this industry by providing that it will not be taxed more heavily than other corporate industries of our state. The passage of the Taconite Amendment will clearly show that Minnesotans are not content with unemployment.

"Many of those who oppose the Taconite Amendment do so because they fear that a precedent is being set in regard to our Minnesota Constitution. It is my opinion that a Constitution is to protect and aid our people and if a precedent is to be set, certainly my conscience is clear as long as it is done with the spirit and purpose of the Taconite Amendment - namely, without favoritism to be helpful to all the people of Minnesota, not simply those on the Iron Range.

"I urge all Minnesotans to carefully study the provisions of the Taconite Amendment and to vote for its adoption on November 3rd."

MRS. SCOTT SCHOEN, VICE CHAIRMAN

"Passage of the Taconite Amendment is important to me because it assures the taconite companies of fair and equitable taxation. This assurance will encourage the expansion of the taconite industry resulting in a higher rate of employment which in turn will improve the economic growth in Minnesota.

"Gainful employment can be described as a purpose for living, with high hopes for the future. It contributes to an individual's self respect, pride in accomplishments and good citizenship in general.

"Job opportunities must be available before a conscientious man considers the responsibilities of a home and family. A regular pay check is all important to meet the needs of a family; shelter, clothing, education health care and recreation.

"Working for the amendment gives us an opportunity to help other people which should be the avocation of all men and women."

MR. DWAYNE ANDREAS, FINANCE COMMITTEE CO-CHAIRMAN

"The primary reason that every Minnesotan should be for the Taconite Amendment is that it promises to create thousands of jobs.

"Unemployment in the United States is the most serious problem facing not only the workers but also the farmers.

"The serious decline in meat and milk prices can be directly traced to the fact that too many people are without jobs and cannot spend as they should for food for themselves and their families. I consider unemployment to be the Number One economic problem of the nation.

"A vote for the Taconite Amendment is a vote for full employment in Minnesota."

(COPIES OF ATTACHED QUESTIONS AND ANSWERS ARE AVAILABLE UPON REQUEST AT THE ABOVE ADDRESS)

QUESTIONS AND ANSWERS ON THE TACONITE AMENDMENT #1

1. WHAT IS TACONITE?

Taconite is the name given the basic Mesabi iron formation in Minnesota. The formation is a flint hard rock containing 20-30% iron in fine particles imbedded in rock. The Division of Lands and Minerals calculates that we have an excess of 60 billion tons of taconite which can be concentrated by present methods. This is a staggering figure comparing it with the total of 2.5 billion tons of natural iron ore that has been mined in Minnesota up to the present!

2. WHAT ARE THE PROVISIONS OF THE TACONITE AMENDMENT #1?

The proposed constitutional amendment provides that a law (Minnesota Statutes, 1963, Ch. 81) stating Minnesota's policy regarding taxation of taconite mining companies will not be "repealed, modified, or amended" for twenty-five years. The statute establishes a state policy of not taxing the taconite and semi-taconite mining industry more heavily than other Minnesota corporations. It is not a tax cut, nor a tax freeze; and it does not establish a ceiling on taxes levied against taconite mining companies. The law provides that taxes for taconite and semi-taconite will not be increased unless the amount that the mining companies would pay if they were taxed under the corporation income tax law were to go up. That is, if the tax on other manufacturing industries is raised up to, and above, the level of taxes now paid by the taconite mining industry, the taxes on taconite mining could also be raised apace. It is important to remember that the amendment does not limit the so-called "taconite tax" of 6¢ per ton. Nor does it affect the taconite railroad taxes and various local taxes paid by taconite companies.

3. HOW ARE TACONITE PELLETS MADE AND WHY ARE THEY IMPORTANT?

To make taconite pellets, the taconite rock must be crushed and ground to a fine flour-like powder. The fine particles of iron ore are separated from the waste rock by magnetic separators. Following the magnetic separation, the iron concentrate is fed in balling drums where the pellets are formed. The last step in the process is to harden the pellets in large furnaces so that they will not break in shipment.

Taconite pellets are in great demand by steel makers because they contain high iron content and the little round porous ball increases the efficiency of the blast furnaces. The use of pellets makes one blast furnace do the work of two furnaces using natural iron ore.

4. WHY IS THERE A NEED FOR THE TACONITE AMENDMENT #1 AND HOW IS IT IMPORTANT TO THE PEOPLE OF MINNESOTA?

Northeastern Minnesota is a distressed area. People are out of jobs, many are on relief! This is a financial burden to every tax-payer in Minnesota. In ten years natural iron ore mining will be virtually ended! We must encourage the utilization of our abundance of taconite by attracting taconite plants that would create jobs and prosperity. Taconite mining is like a manufacturing operation. The plants must be operated 24 hours a day, 52 weeks a year to remain profitable. This industry creates year-round employment whereas natural iron mining was seasonal. Taconite production will add stability to the economy, create year-round jobs, and give a sharp boost to the depressed economy of northeastern Minnesota.

Without the 25-year guarantee of equitable taxation protected by a constitutional amendment, Minnesota will not be able to attract its fair share of future taconite plants. These plants cost many millions of dollars (Reserve Mining Co. spent 310 million dollars on its plant and mine), and the owners and investors must know that the plant will be profitable for its expected life, otherwise they will build elsewhere. "The importance of the amendment as a symbol of a new and favorable tax climate cannot be underestimated."



5. IF THE TACONITE AMENDMENT IS PASSED, HOW WILL IT AFFECT ME?

If the Taconite Amendment passes, it will pave the way for large multi-million dollars investments in Minnesota. Construction of new plants will give the region a much needed "shot-in-the-arm". Hundreds of millions of dollars, and thousands of jobs will result. The affect of this will be felt throughout the state -- to the contractor, the merchant, the suppliers, and the farmer -- and in a significant way to education. Many will benefit directly; others indirectly. The additional flow of dollars will result in larger tax income from the mining companies, their suppliers and allied industries, and from their employees. This will make my area more prosperous, my friends happier, and my taxes lower.

6. IF IT DOESN'T PASS, HOW WILL IT AFFECT ME?

If the Taconite Amendment fails to pass, the economy of Northeastern Minnesota will continue to stagnate as natural iron ore production declines. There is no hope that the natural ores from Minnesota will ever again enjoy the preferred position they once had. If taconite plants are not built, Northeastern Minnesota will become an economic liability rather than an asset. Tax revenues will have to be diverted to this area to maintain essential government services, educational facilities, and finance growing welfare problems. Already, every taxpayer contributes to the yearly 7 million dollars spent for relief which will get worse unless something is done! We must not allow this to happen!

7. BUT ISN'T MINNESOTA'S GREATEST RESOURCE IRON ORE? SHOULDN'T IT BE REGARDED AS A PRECIOUS COMMODITY?

Minnesota's greatest resource is not iron ore! It is its human resources: its men, women and children. At this time able-bodied men and women in Minnesota are unemployed. They need jobs! The more than 60 billion tons of unused ore are useless under the ground! It is true that for many years Minnesota natural ore was a commodity in great demand. Today, the situation is greatly changed. Our iron ore and taconite must compete in a world iron ore market. If it can be sold it provides employment and prosperity for a large part of the state plus substantial tax revenues to the entire state and nation.

8. WON'T THERE BE A GREAT LOSS IN REVENUE FROM TAXES TO THE STATE?

As the natural iron ore industry has become competitive there has been a steady decrease in the production of natural ores, accompanied by a decrease in tax revenues to the state. It is true that there has been and will continue to be a decline in tax revenue from the iron ore industry. The Taconite Amendment will not increase this loss. On the contrary, the added taconite production will help offset the tax loss, since the increased employment will provide increased income tax revenue. In addition, the new taconite plants will pay taxes. We must remember that 10 years ago saw virtually no taxes paid by taconite, because taconite was still unused.

9. HOW WILL THE TACONITE AMENDMENT AFFECT MY TAXES?

By getting the economy of Northeastern Minnesota on its feet again, that area will be contributing rather than taking from the state's economy. If this area continues to decline, it will become increasingly expensive to maintain local government, welfare and educational systems. In that case, the support of the systems will undoubtedly have to come from the pockets of taxpayers in other parts of the state.

10. WHEN I GO TO THE POLLS IN NOVEMBER, HOW WILL THE TACONITE AMENDMENT APPEAR ON THE BALLOT?

It will appear as Amendment #1.



11. ISN'T IT TRUE THAT IRON ORE FROM COUNTRIES LIKE CANADA, BRAZIL, VENEZUELA, LIBERIA, IS VERY MUCH CHEAPER TO IMPORT? AND IF THIS IS SO, ISN'T IT RATHER RIDICULOUS TO COMPETE WITH FOREIGN SOURCES?

There are several reasons why Minnesota should compete with foreign sources of iron ore. The huge investment in taconite plants makes it possible to produce a product that can compete on the basis of quality and not cost alone. The fear of nationalization and expropriation by some foreign governments will aid Minnesota in competing for new taconite plants. Then too, there is the aspect of National Security. The United States must have available domestic sources of iron ore. After all, competition is the sum of many things. Steel companies examine the costs of production, quality, transportation costs, taxes -- all of these factors, plus the assurance of equitable taxation, will make Minnesota a good competitor for the new taconite industry.

12. WHAT ASSURANCE DO WE HAVE THAT THE TACONITE AMENDMENT WILL MEAN MORE JOBS AND HOW LONG WILL IT BE BEFORE NEW TACONITE PLANTS ARE IN OPERATION?

Roger M. Blough, Chairman of the Board, United States Steel Corporation speaking in St. Paul, recently stated:

"As an earnest indication of our good faith, we gave the people of Minnesota a commitment -- that barring events beyond our control, and promptly after the constitutional amendment is adopted -- United States Steel will complete engineering and commence construction of a major taconite plant in the vicinity of Mountain Iron and that the new plant would be so designed that it may be expanded readily. This commitment still stands."

Ford Ogelbay Norton are commencing a 1,500,000 tons or larger plant in the Eveleth area this year, in good faith that the Amendment will pass. Hanna Mining Company is expected to build a plant near Nashwauk. Their combined cost would be over \$200 million, with an expected employment of about 4,000 people in construction and 2000-5000 permanent employees. There are still other prospects for new taconite facilities.

13. HAVE SIMILAR PROVISIONS EVER BEEN MADE IN OTHER STATES?

Other states have lower taxes on iron ore. Michigan imposes no special state taxes on iron ore. Wisconsin and Pennsylvania have corporate income taxes rather than special taxes on mining. Wyoming taxes on iron ore were less than 12¢ per ton in 1961.

14. ARE THERE SAFEGUARDS IN THE EVENT THAT THE TAXATION SITUATION SHOULD CHANGE DRASTICALLY BEFORE THE 25 YEARS ARE UP?

Yes, there are safeguards. Should the State of Minnesota require substantial additional tax revenues in the future, the legislature can modify the rates or allowable deductions for the corporate income tax at any time. The taconite amendment provides a mechanism permitting the legislature to increase the occupation tax rate. Or, if the profits of the taconite companies should improve unduly because of unforeseen circumstances, such as extremely high prices for the pellets or decreased labor costs, then the income from occupation and royalty taxes would increase proportionately.

15. ARE BOTH POLITICAL PARTIES SUPPORTING THE AMENDMENT? WHO ELSE IS FOR IT?

The Taconite Amendment has been endorsed by the Republican and DFL parties. Business and Labor are for it. Hundreds of organized groups and unnumbered interested citizens are expected to back the amendment. These will be publicized as the campaign for the amendment gets under way.

16. WHAT IF IT CAN'T MAKE UP MY MIND AND THEREFORE DON'T VOTE EITHER "YES" OR "NO"?

Leaving the ballot blank is the same as voting "No". For a constitutional amendment to pass it must receive a 50% majority of all people voting in the election. So, if you go to the polls and vote but don't vote on an amendment, you are voting "No" even if you don't want to.

17. WHAT CAN I DO TO HELP PASS THE AMENDMENT?

Talk to your friends; cooperate with groups backing the amendment; see to it that voters are encouraged to vote "Yes" on Amendment #1. If voting machines are used, amendments are harder to find than if ballots are used, but tell your friends to find the amendment even if it takes a few seconds to do so. NO VOTE ON AN AMENDMENT COUNTS EXACTLY THE SAME AS A "NO" VOTE, you should tell all your friends.

THE TACONITE AMENDMENT MEANS JOBS! IT MEANS PROSPERITY FOR MINNESOTANS!

IT MAKES GOOD SENSE!

IT'S RIGHT TO VOTE YES FOR TACONITE!

STATEMENT ON THE TACONITE AMENDMENT #1  
by Charles W. Mayo, M.D. Chairman  
Citizens' Committee for the Taconite Amendment #1

"The proposed Taconite Amendment to our Minnesota Constitution deserves the support of every Minnesotan. The passage of this amendment means jobs for many, many of our people. It means payrolls rather than poverty. It means increased tax revenues rather than increased welfare expenditures."

"This Amendment will not freeze the amount of taxes paid by the Taconite Industry, but rather will encourage the development of this industry by providing that it will not be taxed more heavily than other corporate industries of our state. The passage of the Taconite Amendment will clearly show that Minnesotans are not content with unemployment."

"Many of those who oppose the Taconite Amendment do so because they fear that a precedent is being set in regard to our Minnesota Constitution. It is my opinion that a Constitution is to protect and aid our people and if a precedent is to be set, certainly my conscience is clear as long as it is done with the spirit and purpose of the Taconite Amendment -- namely, without favoritism to be helpful to all the people of Minnesota, not simply those on the Iron Range."

"I urge all Minnesotans to carefully study the provisions of the Taconite Amendment and to vote for its adoption on November 3rd."



Special *Taconite* Edition  
SAINT PAUL AREA CHAMBER OF COMMERCE

Published Every Monday  
Except During July,  
August and December  
Holiday Weeks  
VOL. XXIX NO. 11



## Taconite Amendment Does Not Involve Either Tax Cut or Tax Freeze

An up-dated report on Iron Mining and Taxes in Minnesota, made by the Macalester College Bureau of Economic Studies makes it quite clear that neither a tax cut nor a tax freeze is involved in the Taconite Amendment which will be put to a vote in November of this year.

The Macalester report says the 1963 State Legislature made several changes in tax laws, including the adoption of a new taconite statute and submission of a constitutional amendment to guarantee the effectiveness of this statute for 25 years.

The effects of the program are analyzed in the Macalester study this way:

"Basically, the statute provides that taxes for taconite and semi-taconite will not be increased unless the amount that the mining companies would pay if they were taxed under the corporate income tax were to go up. That is, if the tax on other manufacturing industries is raised up to and above the level of taxes now paid by the taconite mining industry, the taxes on taconite mining also could be raised apace...

"It seems quite clear that this statute is not a tax cut nor a tax freeze. It certainly does not establish a ceiling on taxes levied against mining companies. All the statute does is establish a policy of not taxing the taconite and semi-taconite min-

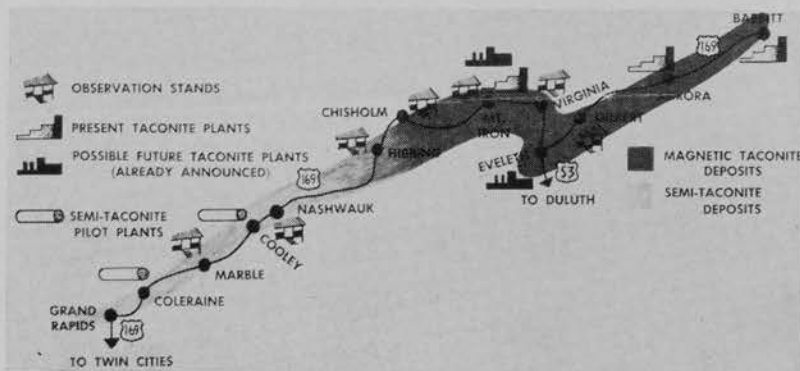
ing industry more heavily than other Minnesota corporations. The proposed constitutional amendment merely provides that this statute will not be repealed, modified or amended for 25 years.

JAMES B. McCOMB, author of the study emphasizes the importance of encouraging the growth of the Minnesota taconite industry. He says taconite investments made here already exceed \$600-million and have created 6,000 new year 'round jobs. Existing plants have a concentrating capacity of 17.5 million tons a year. The University of Minnesota School of Mines says the state should strive for a total plant capacity of 60 million tons by 1990.

McComb estimates that some 25,000 people would be directly employed in mining and processing of taconite and semi-taconite if this goal were achieved.

He says these people would earn about \$140-million a year at current wage rates and additional millions would be put into the state's economy by purchases of supplies and tax payments.

To bring about the proposed plant capacity, increased new investments of \$1.5-million would have to be made. Investments of this size will be made only under favorable conditions competitive with the opportunities given to industry in other locations.



THIS MAP outlines the Minnesota Iron Range and its present taconite facilities.



TELLING the taconite story are left to right, Earl T. Bestor, Duluth District director of the United Steelworkers, vice chairman of the Citizen's Committee for the Taconite Amendment and Dr. Charles W. Mayo, Rochester, committee chairman.

## Minnesota's Range Formed Years Ago

Minnesota's Mesabi Iron Range is probably two billion years old.

First came "taconite" or iron formation—a sediment of iron and sand particles that formed the bottom of an ancient sea.

Later, earth movements and percolating waters enriched some of this taconite, creating pockets of high-grade ore, which was first mined in 1892.

To understand the change in Minnesota's mining industry—from production of two-thirds of the nation's ore requirements just ten years ago to 45 per cent today—it must be realized that iron ore has only one use: the production of iron and steel. And problems of the steelmaker are problems for the iron ore miner.

Today the steel industry is facing high costs, intense competition from plastics, aluminum and wood substitutes for steel and increased overseas competition.

Steel producers are asking the mining industry for better-quality, lower-cost ores. Minnesota iron ore producers have two problems: one is that the quality of Minnesota ores, before expensive treatment, is steadily declining. The other is that the cost of mining Minnesota ores (including state and local taxes) is at an all-time high.

Minnesota's hope for the future rests with its large quantities of low grade ore which can only be produced if more taconite plants are built.

These plants cannot be constructed unless the investors are assured that the high taxes now borne by natural ores will not be shifted to taconite. This guarantee can be met through approval of the Taconite Amendment. Vote Yes in November.

# Support the Taconite Amendment. Vote YES in November



# Taconite Questions Answered

## Q. What is taconite?

Taconite is the name given the basic Mesabi iron formation in Minnesota which contains 20 to 30 per cent iron in fine particles imbedded in rock. Estimates indicate Minnesota has in excess of 60 billion tons of taconite which can be concentrated by present methods. Compare this with the total of 2.5 billion tons of natural ore mined in Minnesota to date.

## Q. What is the Taconite Amendment?

The amendment would assure the taconite and semi-taconite industry of fair tax treatment on the state level for 25 years . . . equal to taxes paid by other corporations and industries in the state. Local taxes paid by the industry are not involved.

## Q. If the amendment passes, how will it affect me?

If the Taconite Amendment passes, it will pave the way for multi-million dollar investments in Minnesota. Hundreds of millions of dollars and thousands of jobs will result. The effect of this will be felt throughout the state with the additional flow of dollars resulting in larger tax income from the mining companies, their suppliers, allied industries and employees.

## Q. If the amendment does not pass, how will it affect me?

The economy of northeastern Minnesota will continue to stagnate as natural iron ore production declines. There is no hope that the natural ores from Minnesota will ever again enjoy the preferred position they once had. If taconite plants are not built, northeastern Minnesota will become an economic liability rather than an asset. Tax revenues will have to be di-

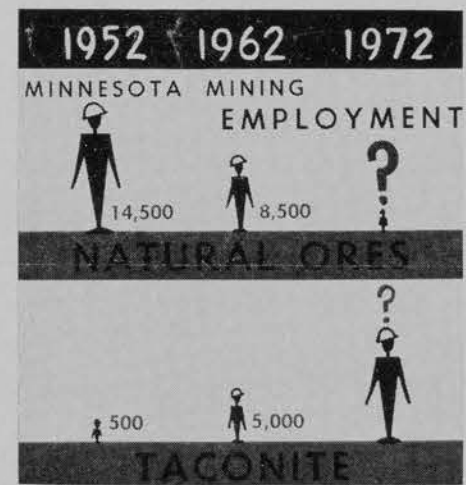
verted to this area to maintain essential government services, educational facilities and to finance growing welfare problems. Already every taxpayer contributes to the yearly \$7-million spent for relief which will get worse unless something is done.

## Q. What if I fail to vote either yes or no on the Amendment?

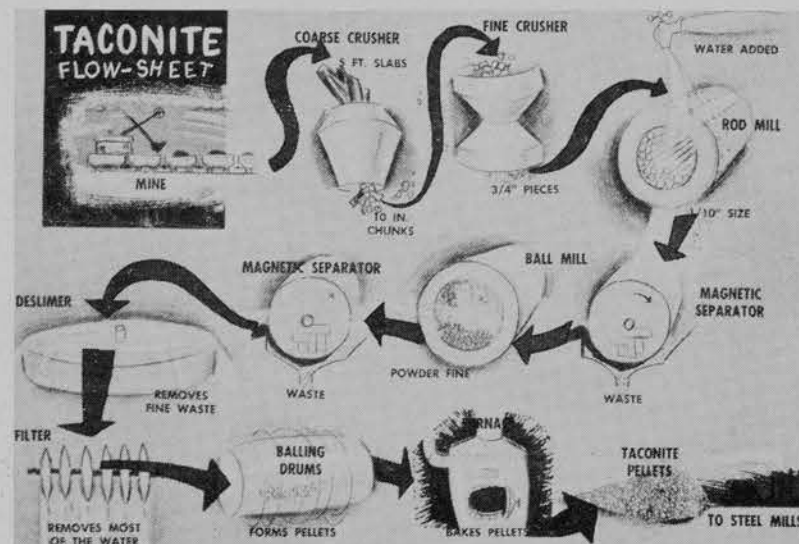
Leaving the ballot blank is the same as voting no. For a constitutional amendment to pass it must receive a 50 per cent majority of all people voting in the election.

## Q. When I go to the polls in November how will the Amendment appear on the ballot?

It will appear as Amendment #1.

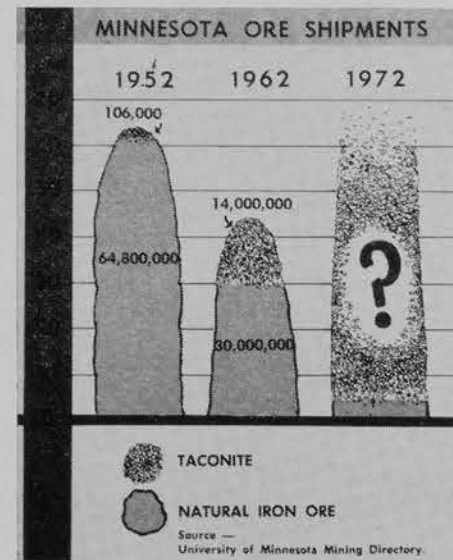


HOW MANY jobs will there be on the Iron Range in the years to come? The vote you cast in November will determine the answer to that question.



THE COMPLICATED PROCESS of developing taconite is shown in the photo

above. The story on the right describes the process.



QUANTITY of Minnesota ore shipments is graphically depicted here. The sum to be shipped in 1972 depends on you.

## Chamber Committed To Amendment Push

The Saint Paul Area Chamber of Commerce is committed to work in behalf of the Taconite Amendment.

The Chamber's board of directors first endorsed the Taconite Amendment about 18 months ago.

More recently the Chamber sent a letter to Dr. CHARLES MAYO, chairman of the Citizen's Committee for the Taconite Amendment saying, in part, "Now we will go all-out to assist you in this final effort to have the amendment approved."

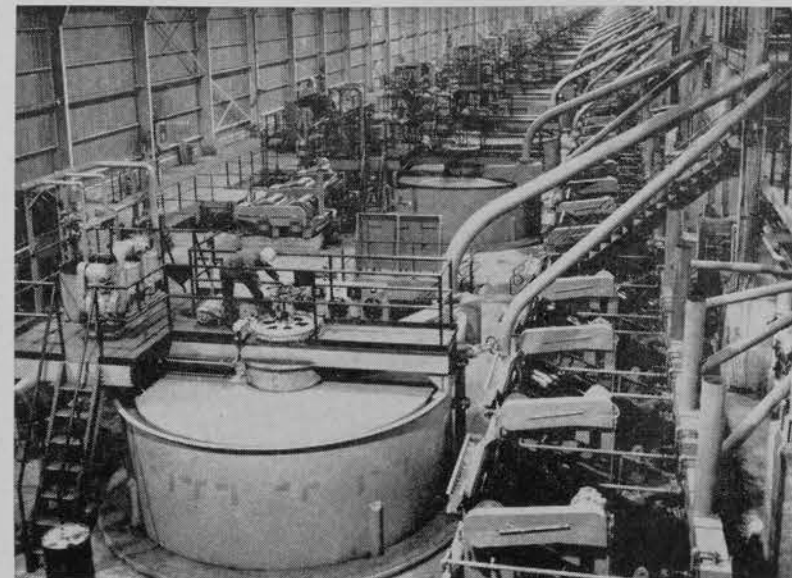
## Taconite Process Is Expensive Task

There are two types of taconite rock. One is magnetic, the other non-magnetic. In itself this rock which contains 20 to 30 per cent iron is virtually worthless. To convert it to 67 per cent iron rich pellets is an expensive task.

Taconite is very hard rock and the iron particles it contains are very fine. A new drill was developed to mine the rock by crumbling it into fragments.

The rock is broken into five foot slabs which are transported to the crushing plant. At the plant the five foot rocks are reduced to gravel size and then ground again, this time with the use of magnets and water, to a texture as fine as face powder. This "concentrate" contains about 67 per cent iron and is a valuable custom-designed ore. Since the concentrate is too fine to ship or use in making steel it is compacted into pellets about the size of marbles and baked in furnaces. This hardens the product for shipment and produces a pre-sized quality material.

SPC ACTION



THE MAGNETIC and hydro-separators are at work in this photo of the interior of the concentrating building of the

E. W. Davis Works of the Reserve Mining Company at Silver Bay.

## State Business Climate Group Adopts Taconite Resolution

WHEREAS, the Taconite Amendment that comes before the voters of Minnesota in the November, 1964 General Election will be watched by decision makers and investors both in Minnesota and throughout the nation, and

WHEREAS, the outcome on this important issue will be a clear-cut decision as to the attitude of the people of Minnesota toward fair tax treatment for business and industry of our state, and

WHEREAS, the decision on the Taconite Amendment will have a tremendous impact on the economy of our state and on each community in the state as a direct reflection of our business climate and our interest in tax reform, and

WHEREAS, the results of this issue have a direct implication on each community in our state and a corresponding implication on the development of Chambers of Commerce in each community and the effectiveness of each Chamber's program, and

WHEREAS, the MCCE Business Climate Committee states as part of its objectives: "to encourage the development of commercial, civic and community organization throughout the state."

THEREFORE, BE IT RESOLVED that the Business Climate committee of MCCE recognizes that passage of the Taconite Amendment is important to the development of our state's economy, our community's economy and to the Chambers of Commerce throughout Minnesota, and

FURTHER RESOLVES; that it endorses the suggested follow-up local ac-

SPC ACTION

## What Can You Do To Help Taconite?

What can you do to support the Taconite Amendment?

### NOW . . .

Get all of the information you can on taconite—what it is, how it's processed, the competitive problem of taconite and how it must successfully compete with other taconite projects, the jobs, payrolls and opportunities our state can receive from a strong and expanding taconite industry.

Just write the Saint Paul Area Chamber of Commerce. Tell us, "I want information on taconite."

Follow EARL HENTON's Saturday night TV program and its messages about iron ore and taconite. The program can be seen in the Twin Cities on WCCO-TV.

### THIS SPRING . . .

Tell the taconite story to—

Your family and neighbors.

Your Minnesota relatives and friends when you write to them.

The newspaper-reading and radio-listening public (through letters to the editors and open mike programs).

Your Minnesota business associates—people who work in stores, offices, or plants just like yours.

### THIS SUMMER . . .

Sell the taconite story. Work for organizations like the State Citizen's Committee headed by Dr. CHARLES MAYO.

Urge your friends, neighbors and co-workers to visit the Iron Range and see mines and taconite plants first hand.

### THIS FALL . . .

Urge your friends to fulfill their first duty as citizens—at the polls in November . . .

ABOVE ALL . . . Don't forget to vote yourself.



THIS AERIAL VIEW shows Pilotac, U. S. Steel's taconite concentrating plant

at Mountain Iron. It produces 800,000 tons of concentrate annually.





THIS IS AN EXTERIOR view of the concentrator building of the Erie Mining

Company at Hoyt Lakes. The building is nearly one quarter of a mile long.

## New Life Possible For Mining Industry

The development of taconite is giving Minnesota's mining industry the opportunity of having a second life, according to C. F. BEUKEMA, president of U.S. Steel's Oliver Iron Mining division.

Beukema, in a recent address, said "The fact that opportunity is knocking right now at the door is difficult to recognize because of the enviable and remarkable 70-year history that Minnesota Ranges have had as dominant suppliers of iron ore to the American Steel industry."

Beukema pointed out that the Minnesota iron ore industry is not expanding proportionately to our national economy and said the most competitive iron ore market in the history of the world exists today.

"It is in the availability elsewhere of ores of a superior cost-quality relationship to most of the natural ores we have left in Minnesota that we find the major problem facing our iron ore industry today and it is in taconite that we find the answer to this problem."



BEUKEMA

## Taconite Touches Everyone

The three plants now located in Minnesota...

... spent \$600,000,000 for plant construction, for materials, machinery, salaries and wages;

... pay \$40,000,000 each year to 6,000 year 'round employees;

... buy \$45,000,000 worth of supplies and equipment each year;

... pay \$5,000,000 a year in state and local taxes.

Multiply these figures by three (to equal Minnesota's taconite production estimated for 1990 by the University's School of Mines) and you get an idea of what taconite could contribute to the state's economy.



CHAMBER PRESIDENT Herbert P. Buetow, left, looks over some taconite pellets with John T. Hay, Chamber Executive Vice President.

## Chance Available To Reaffirm Basic Principles

The Taconite Amendment, according to an editorial in the Minnesota Valley Review, gives Minnesota an opportunity to reaffirm a basic principle of democracy.

The editorial says, in part,

"Behind the American system of government are certain basic principles which go deeper than law, deeper than the federal and state constitutions themselves.

"One of those principles is that sovereignty, the ultimate authority, rests with the individual citizen ...

"Another principle is a kind of basic sense of fair play ... equality of opportunity, equality in law enforcement, equality in the tax burden and other responsibilities of citizenship.

"That's the point which State Senator LEE MOSIER and the little band of liberal legislators who have joined him in opposing the Taconite Amendment seem to miss.

"Senator Mosier says he opposes the amendment because it would 'put the Constitution to sleep for 25 years.'

"In fact, it would simply re-state a basic governmental principle inherent in the American system which has been ignored for years in Minnesota ... the principle outlined above which provides that all citizens (corporate or otherwise) shall be treated equitably under the law.

"For years Minnesota loaded its steel companies with special tax after tax ...

The editorial then discusses the taxing policies and the process which led to the Taconite Amendment. The editorial concludes:

"But now Senator Mosier and his five associates are going about huffing about constitutional guarantees.

"They are wrong. Economically, morally and constitutionally, the Taconite Amendment merits approval. Here Minnesota has a chance to reaffirm a basic principle of democracy."

SAINT PAUL AREA  
CHAMBER OF  
COMMERCE



Published weekly except during July, August and December holiday weeks at 20 West Sixth Street at Saint Paul, Minnesota, 55102 by Saint Paul Area Chamber of Commerce. Second-class postage paid at Saint Paul, Minnesota. Subscription rate: \$5.00 per year.

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JOHN T. HAY, *Executive Vice President*  
ADELE MALOTT, *Editor*

6th at Saint Peter 222-5561 Saint Paul, Minnesota 55102

Saint Paul Area Chamber of Commerce **action**  
6th at Saint Peter Streets, Saint Paul, Minnesota 55102

*The members of the United Steelworkers of America on the Iron Ranges of Minnesota want to be tax-payers and not relief recipients. Passage of the Taconite Amendment No. 1 will give these men jobs and at the same time save you the burden of costly relief through increased taxes. YOUR "YES" VOTE IS NEEDED TO INSURE PASSAGE OF THE TACONITE AMENDMENT NO. 1.*



Additional Copies  
Can Be Obtained

From

**STEELWORKERS COMMITTEE  
FOR TACONITE AMENDMENT**

EARL T. BESTER, Chairman  
609 Providence Bldg.  
DULUTH, MINNESOTA

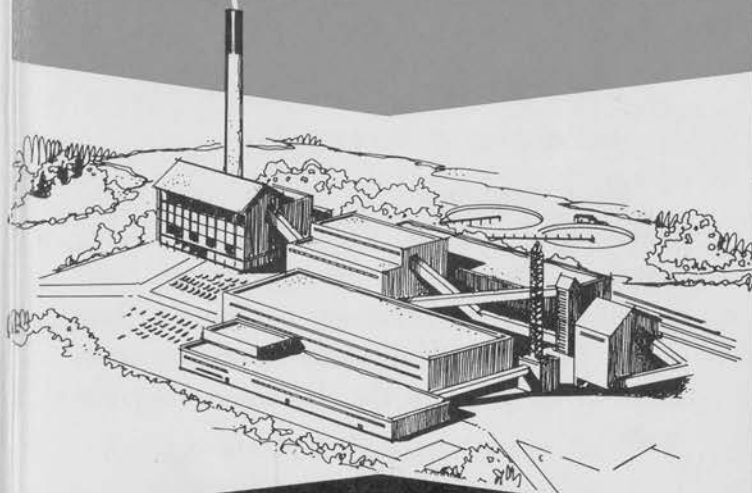


PRINTED IN U.S.A.

**QUESTIONS  
AND  
ANSWERS  
CONCERNING . . .**

# **TACONITE**

## **AMENDMENT (No. 1)**



# **Vote YES in '64!**

Issued by  
**STEELWORKERS COMMITTEE  
FOR TACONITE AMENDMENT**  
EARL T. BESTER, Chairman  
609 Providence Bldg. Duluth, Minn.

### **1. What is the Taconite Amendment?**

The proposed Taconite Amendment No. 1 assures the Industry of equitable tax treatment for a period of 25 years.

### **2. Why is the Taconite Amendment necessary?**

The first Taconite plants were developed and built in Minnesota and up to 1953, three such plants were built. Since that time investors have refused to put more money in Taconite plants in this state. They have gone outside the state and constructed 17 Taconite plants. The Taconite Amendment No. 1 is needed now to induce the investors to once again invest in plants in Minnesota.

### **3. Why does the Taconite Industry need this assurance?**

Most manufacturing plants can move elsewhere if treated unfavorably tax-wise, however, Taconite Plants are custom built in solid rock and cannot be moved. The costly Taconite Plants must operate a minimum of 25 years on the site where they are built.

### **4. Would the Taconite Industry taxes be cut if the Amendment passes?**

No. Under the Amendment, taxes could even be increased, if the rate of corporate income taxes exceeds the present occupation tax rate.

### **5. Won't passage of the Amendment raise taxes for the other taxpayers of the State?**

No. On the contrary, taxes should remain the same or even be less under the new law. A new tax base will be created to replace closed mines and surrendered leases by the erection of the new expensive pellet plants. More important, unemployed miners will be taken off the relief rolls and be returned to jobs and in turn pay taxes themselves. New industries and jobs will be created to supply the needs of the new Taconite pellet plants.

### **6. What has happened to employment in Minnesota's iron ore industry in recent years?**

Since 1953 more than 27 mines with large reserves of ore have closed because there is no market for their type of ore. Thirty-eight major leases originally costing millions of dollars have been taken off the tax rolls. There is no market for their ore. Most important is the fact that 5000 Minnesotans have lost their jobs in the mine closings and without the passage of the Amendment there is little likelihood that they will ever return to mining jobs.

### **7. The United Steelworkers of America once opposed this Amendment. Why are they for it now?**

The United Steelworkers of America is for the Taconite Amendment now because the proposed law has overcome its objections and are now in accord with the Union's original goals. The law will expire in 25 years where before there was no termination.

Commitments to build plants were lacking in 1961 and now more than 500 million dollars worth of plants employing thousands of workers have been pledged once the amendment is passed. The previous proposed laws would have frozen Taconite Taxes. Not so under the proposed Taconite Amendment No. 1.

### **8. Will all ores in Minnesota be considered Taconite or Semi-Taconite?**

No. The law is very specific in defining Taconite and Semi-Taconite. All other ores can be taxed under the present system.

### **9. Does the Amendment affect all taxes imposed on Taconite and Semi-taconite?**

No. Production taxes now imposed may be increased at any time by the Legislature.

### **10. What effect do Taconite Plants have on the economy of Minnesota?**

Taconite Plants producing 17.5 million tons of pellets employing 5000 people have a payroll in excess of \$40 million annually. In addition, another \$30 to \$40 millions are spent in buying materials and services for the operation of the plants.

### **11. Where would the benefit of Taconite Plants go?**

All of Minnesota would benefit, but Northern Minnesota more so. More year-around jobs would be created. An improved

economy in Northern Minnesota would put this area in a better position to shoulder its own burdens without seeking help elsewhere.



### **12. Why must the Amendment be passed this year?**

The quantity of pellets needed to supply the steel industry is limited. Pellet plants now on the drawing boards will be sufficient to supply industry needs for the next 50 years. Minnesota must act now if it is to get its share and remain America's number one source of iron ore. Taconite and high grade iron ores are rapidly replacing Minnesota ores. In 1953 the Lake Superior region supplied 80 per cent of all iron ore used in the United States and Minnesota furnished 4/5ths of this amount. The iron ore industry is expanding at a rapid rate elsewhere. Through 1963 Minnesota pellet production capacity expanded by 3 million tons while outside the state, expansion exceeded 22 million tons. The Oliver Iron Mining Co., the Ford Co. and the Hanna Mining Co. have plans for new Taconite or Semi-Taconite plants on the drawing boards at the present time with construction to start once the Amendment is passed.



### 13. Who is supporting the Taconite Amendment No. 1?

In addition to the United Steelworkers of America all segments of Minnesota Labor are united behind the proposal. Both major political parties are in full support of the Taconite Amendment. Most business, civic, farm, and community groups are giving all-out support to the proposal. Senators Humphrey and McCarthy, all of the Minnesota Congressmen, Governor Rolvaag and former Governor Elmer Andersen and most other state officials are in favor of the Taconite Amendment.

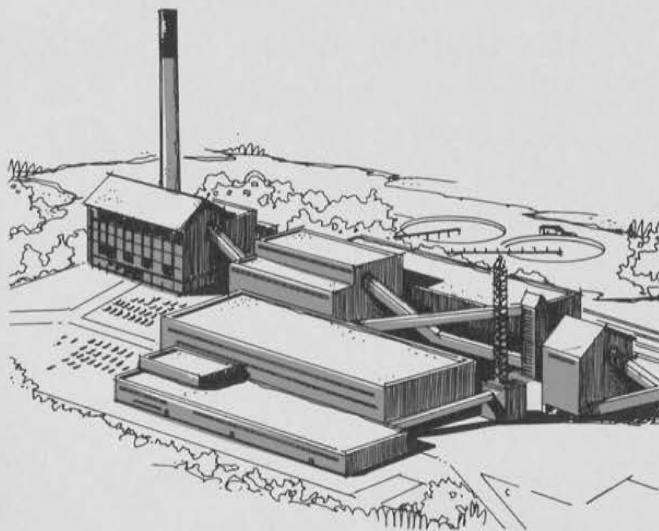
### 14. What if I can't make up my mind and therefore don't vote either "Yes" or "No"?

Leaving the ballot blank is the same as voting "No." For a constitutional amendment to pass it must receive a majority of all people voting in the general election. So, if you go to the polls and vote but don't vote on an amendment, you are voting "No" even if you don't want to.



### 15. What can I do to help pass the Amendment?

Talk to your friends; cooperate with groups backing the Amendment; see to it that voters are encouraged to vote "Yes" on Amendment No. 1. If voting machines are used, amendments are harder to find than if ballots are used, but tell your friends to find the Amendment even if it takes a few seconds to do so.



***The Taconite Amendment means jobs!***

***It means prosperity for Minnesotans!***

***Vote "Yes" for Taconite Amendment***

***No. 1.***



have no hesitancy about adopting an amendment which permits the constitution to serve the public interest of Minnesota now and in the future.

### **Public Must Be Informed**

Decision on the future of the taconite industry in Minnesota rests with the people of the state. In the opinion of the Citizens Committee there is every good reason for citizens to vote "Yes" on the taconite amendment at the election on November 3rd. There are no good reasons to vote in the contrary.

The interests of education at all levels in Minnesota will be well served through passage of the taconite amendment and the expansion of the taconite industry which it will encourage. The difficulties of adequately meeting the financial requirements of Minnesota's educational system at all levels would be compounded in the event that the amendment should fail. The only reason that it might not pass is because many voters will not take the time to become informed on the question, and failure to vote on the amendment counts as a "no" vote.

Teachers, school officials, taxpayers and other citizens concerned with the future of education in Minnesota can be of great help in assuring that the public understands the vital importance of the taconite amendment to the whole state. The Citizens Committee For the Taconite Amendment looks to such people for much of the public information work which will be necessary to passage of the amendment. Literature or more complete information on the amendment may be obtained by writing to the committee, 735 Soo Line Building, Minneapolis.

# **TACONITE EXPANSION WILL HELP EDUCATION IN MINNESOTA**

Prepared and Paid For by the  
Taconite Development Committee of  
The Duluth Industrial Bureau for the

**CITIZENS COMMITTEE  
FOR THE TACONITE AMENDMENT**

735 Soo Line Building, Minneapolis  
Dr. Charles W. Mayo, Chairman

**Statement by State Treasurer Val Bjornson  
On Taconite Amendment No. 1, April 1, 1964**

Greatly expanded support for education is just one of several gains which will come through adoption of the taconite amendment. Trust fund lands belonging to the Permanent School Fund and the Permanent University Fund involve enormous quantities of taconite and semi-taconite. As a guarantee of tax equality helps develop Minnesota's taconite industry to something nearer its potential, these funds will grow. In fact, accurate estimates from the state's Division of Lands and Minerals show that taconite contained in trust fund lands could increase the Permanent School Fund by \$135,000,000 in the next one hundred years; while in the same span of time the University fund could grow by \$96,000,000, bringing it to about three times its present size.

We earn nearly eight million dollars a year in interest on our Permanent School Fund now and that contributes about \$11.50 per pupil toward state school aids. We'd more than double those earnings for grade and high school support through this projected increase in taconite processing, and earnings for the University would go up correspondingly. Those interested in expanding support for education without raising and spending more tax dollars ought certainly to be enthusiastic backers of the taconite amendment up for a vote this fall.

**This resolution, presented by the Duluth School Board, was overwhelmingly supported by the Minnesota School Boards Association in convention assembled on Jan. 15, 1964.**

WHEREAS, the installation of taconite plants in the State of Minnesota has been a tremendous factor in boosting the economy of the State of Minnesota; and

WHEREAS, the Minnesota Legislature has enacted legislation for submitting to the public at the next general election of the State of Minnesota a Constitutional amendment granting tax equalization to the taconite industry; and

WHEREAS, the Minnesota School Boards Association does recognize that the purpose of the proposed Constitutional amendment is to encourage the expansion of the taconite industry to further enhance the economy of the State of Minnesota,

THEREFORE, BE IT RESOLVED that the Minnesota School Boards Association support and encourage the passage of the taconite amendment to the Constitution of the State of Minnesota at the fall general election of 1964.

## **Taconite Expansion Will Help Finance Education in Minnesota**

Citizens concerned with financing of education in Minnesota have a vital interest in passage of the taconite amendment to the state constitution at the general election on November 3rd.

The amendment is designed to encourage expansion of the taconite industry in Minnesota. Most of the increased taxes generated by such expansion will go directly and indirectly to education. In addition, an enlarged taconite industry will utilize more taconite on state lands, the royalties from which will add tremendously to the permanent trust funds whose earnings go to education.

Recognition of the importance of the taconite amendment to education is evidenced by endorsement of the amendment by several educational organizations including the Minnesota School Boards Association and the Minnesota Education Association.

Taxation of the taconite industry and the distribution of funds received from taconite taxes are too complicated to describe in detail here. However, after a very brief description of taconite developments in Minnesota, a summary will be given of the present and possible future taxes from taconite.

### **A Big, New Industry**

The taconite industry is one of Minnesota's newest and largest industries. It transforms large quantities of low-grade iron bearing rock called taconite into high-grade iron ore pellets

which are shipped to the steel mills of the Great Lakes region to be converted into iron and then into iron and steel products. The processes for successfully making desirable iron ore pellets out of taconite rock were developed during several decades of intensive research and pilot plant operations.

In the mid-1950's two large and one smaller commercial taconite plants were built in Minnesota. They have a combined capacity to produce 17½ million tons of taconite pellets per year. More than 5,000 men are steadily employed in these taconite operations, which have required initial investments in excess of 600 million dollars.

### **Local Taxes Largely for Schools**

Taconite operations are taxed for the benefit of the state as a whole and also for the support of local government in the areas in which the taconite mines, plants, railroads and docks are located.

Taxes for support of local units of government come through several special taxes on the taconite industry. Local taxes paid by the taconite industry for 1962 amounted to nearly four million dollars. About two-thirds of this total went to school districts in which taconite facilities are located.

### **State Taxes are Substantial**

State tax revenue from the taconite industry is obtained principally through two special taxes referred to as the "taconite occupation tax" and the "taconite royalty tax." These are in lieu of the state corporation income taxes paid by all other manufacturing corporations in Minnesota. These state taxes on taconite operations are somewhat higher but generally comparable to the taxes which might be paid if taconite

operations were taxed under the state corporation income tax.

The taconite occupation tax payments for 1962 amounted to over \$1,100,000, while taconite royalty taxes were over \$300,000. Of the \$1,400,000 total, about \$440,000 went to the fund from which state aids to school districts are paid, about \$110,000 went to the University of Minnesota, about \$575,000 went to the general revenue fund of the state, and about \$275,000 went to local units of government, including about \$135,000 to local school districts.

In addition to the direct taxes on the taconite industry, the state and local units of government receive large amounts of indirect taxes. Employees of taconite projects pay local property taxes and state income taxes as well as other general state taxes. For every person directly employed by the taconite industry, about two other people are employed in supplying services and products to the taconite companies and to the families of those employed in the taconite industry. State income taxes paid by those employed directly and indirectly by the taconite industry are conservatively estimated at not less than \$1,500,000, all of which go to the fund from which state aids to schools are paid.

The total of all direct and indirect taxes generated for state purposes by the taconite industry in Minnesota for 1962 was about five million dollars. Most of this goes to elementary, secondary and higher education.

### **Good Prospects for Growth**

Present tax revenues for education derived from the taconite industry are substantial. And the prospects for future growth of the taconite industry are encouraging.

Professor E. P. Pfleider and his associates at the School of Mines of the University of Min-

nesota have reviewed the projected future demands of the steel industry in the United States and throughout the world. They have studied the present and potential sources of iron ore in Minnesota and in other areas which compete with Minnesota for iron ore markets and investments. Based on the assumption that the taconite amendment is passed at the general election in November and that no unexpected obstacles are placed in the way of taconite developments in Minnesota, Professor Pfeleider estimates that production of taconite pellets might well triple within the next 25 years. State tax revenues from taconite operations would probably at least keep pace with the growth of the industry.

Expansion of the taconite industry is doubly important to the iron ranges of Minnesota and to the whole state because of the decline in conventional iron mining. This decline is caused by depletion of natural iron ores upon which Minnesota's dominance of the nation's iron ore markets was formerly based, and to the competition of higher grade ores from other areas in the United States, Canada and other countries. At the end of 1962, less than 400 million tons of natural iron ores remained compared to 2,500 million tons of these ores shipped during the last 80 years. Less than 15% of the once available supplies of natural ores remain, and it is questionable whether some of these can meet the competition from other areas. At best, the remaining natural ores will help to hold a part of the iron ore market for Minnesota while taconite and semi-taconite plants are expanded which will keep Minnesota as a substantial supplier of high grade iron ore.

### **Unemployment Costs Are Heavy**

The decline in conventional iron mining has led to sharp reductions in employment. Unemployment and sharply reduced earnings have created social problems which require heavy

unemployment compensation payments and special relief expenditures by state and local governments of between five and ten million dollars a year. Construction and operation of new taconite plants will help to alleviate the unemployment problem in the iron range areas and thus allow these funds to be used for other purposes including education.

Without further taconite developments, the problems of Northeastern Minnesota will become more desperate, and requirements for assistance from the state will increase. With more than 200,000 people directly and indirectly dependent upon iron mining, and an average unemployment of more than 10,000 people in the mining counties, the magnitude of the problem can not be overlooked.

### **Will Help Offset Tax Losses**

Decline of conventional iron mining is also reducing the tax income to the state from that source. Because taconite processing is primarily a competitive manufacturing industry instead of a mining enterprise, theories under which conventional iron mining was taxed at high levels can not be applied to taxation of the taconite industry. This has been recognized in the existing state policies for taxation of taconite. With declining revenues from conventional mining, it is important to encourage expansion of taconite processing to help offset the losses in taxes on conventional mining.

### **Royalties Increase Trust Funds**

Education will also benefit very substantially in the long run through the utilization of taconite on state trust fund lands. The Division of Lands and Minerals of the Minnesota Conservation Department has estimated that the royalties going to the permanent school fund could increase that fund by 135 million dollars during



the next hundred years, while the permanent University fund could grow by 96 million dollars. These are considered to be conservative estimates.

Earnings from investment of these funds could yield the schools of Minnesota and the University an additional income to between five and ten million dollars a year. This would be in addition to the more than nine million dollars a year now earned by that part of the permanent trust funds which originated with royalties on state owned natural iron ores and with half of occupation taxes on conventional iron mining which was allocated to the trust funds between 1922 and 1956.

### **Plan Three New Plants Now**

Three companies are now planning to build new taconite facilities in Minnesota, assuming that the taconite amendment is approved by the voters at the general election of November 3rd. It is vitally important that these plants be built now in order to help maintain employment, tax revenues and other important benefits to Minnesotans.

If these plants are not constructed here now, they may well be built in other states and countries which are competing with Minnesota for investments in taconite facilities. If this planned expansion is not undertaken now, others who would consider building future plants here might well decide to hold up future planning for Minnesota.

### **Taconite for Over 300 Years**

The School of Mines at the University of Minnesota and the Division of Lands and Minerals of the Minnesota Conservation Department have independently estimated the amounts of taconite and semi-taconite on the

Mesabi range. Both agree that there are sufficient reserves to produce at least 15 billion tons of taconite concentrates. If the capacity of taconite plants in Minnesota were tripled as projected by Professor Pfeider, there would be enough taconite to last for 300 years. And there are tremendous quantities of deeper lying taconite which would undoubtedly be used when needed.

The basic concerns for Minnesotans are: How much will the taconite industry expand in Minnesota and when will new taconite plants be built here? The purpose of the taconite amendment is to encourage the expansion of taconite plants HERE AND NOW, when they can benefit both present and future generations of Minnesotans.

### **Huge Investments Require Fair Taxes**

If the taconite industry is to expand as projected by Professor Pfeider, new investments of more than a billion dollars would be required during the next 25 years. In order to borrow such large sums for long-term investment, steel companies have asked for assurances that taxation by the state will continue to be on a fair basis similar in amount to the taxes which would apply to other manufacturing in Minnesota. The only real assurance that can be given is through adoption of an amendment to the state constitution by vote of the people.

When a taconite amendment was first considered by the 1961 session of the legislature a number of questions were raised. These were resolved during the 1963 legislative session. The legislature enacted by almost unanimous vote a statute declaring policy toward state taxation of taconite and semi-taconite operations. In simple language, this statute provides that state taxation of the taconite industry shall not exceed the GREATER of taxes computed (a) under existing laws applying to taconite, or (b)



under present or future state tax laws applying to manufacturing corporations. This does not apply to taconite taxes for local purposes, nor does it freeze state taxation of the taconite industry.

In order to assure that this policy would continue for at least a reasonable period of time, the legislature developed the proposed taconite amendment to the Minnesota constitution which would prevent change in the statute for a period of 25 years after adoption of the amendment. The proposed taconite amendment was passed by a vote of 121 to 4 in the House of Representatives and 56 to 9 in the Senate. Few pieces of complicated general legislation receive such nearly unanimous support in the legislature.

#### Unique Support for Amendment

The taconite amendment has also received unique support from leading citizens and organizations. Following is a list of statewide organizations which were among the first to endorse the amendment: Minnesota D. F. L. Party, Minnesota Republican Party, Minnesota AFL-CIO, Minnesota Arrowhead Association, Minnesota Bankers Association, Minnesota Bar Association, Minnesota Broadcasters Association, Minnesota Education Association, Minnesota Farm Bureau Federation, Minnesota Federation of Women's Clubs, Minnesota Grange, Minnesota Hotel and Motel Associations, Minnesota Independent Insurance Agents, Minnesota League of Municipalities, Minnesota League of Women Voters, Minnesota Newspaper Association, Minnesota School Boards Association, and United Steelworkers of America, District 33

In order to assure that the amendment receives the public support and understanding which it merits, the Citizens Committee For the Taconite Amendment was organized early in

1964. Dr. Charles Mayo, chairman of the board of regents of the University of Minnesota, was appointed by Governor Karl Rolvaag to form the citizens committee on a bi-partisan basis. Vice-chairmen of the committee are Earl T. Bester of the United Steelworkers of America, and Mrs. Scott Schoen, immediate past president of the Minnesota Federation of Women's Clubs.

Members of the executive committee are former governor Elmer L. Andersen, state treasurer Val Bjornson, congressman John A. Blatnik, D. F. L. state chairman George A. Farr, Republican state chairman Robert A. Forsythe, AFL-CIO executive vice president Robert Hess, lieutenant governor A. M. Keith, attorney general Walter F. Mondale, congressman Ancher Nelsen, and Stanley J. Wenberg, vice president of the University of Minnesota.

Scores of public spirited citizens of Minnesota are serving on subcommittees appointed by the Citizens Committee For the Taconite Amendment. Hundreds of others are working for the taconite amendment through local committees and as individuals.

#### Opposition Comparatively Small

Comparatively little opposition has been expressed to the present taconite amendment. Most of this has been based on the question of whether matters affecting taxation should be included in the constitution. The answer is that such matters are already in the constitution and the article of the constitution relating to state finances has been amended 23 times.

When the Minnesota constitution was written over 100 years ago or when the occupation tax amendment on iron mining was adopted 42 years ago, the nature and problems of the Minnesota taconite industry could not have been imagined. The people of Minnesota should

# **Vote YES On Taconite Amendment #1 NOVEMBER 3**

## **WHY?**

Because Amendment #1 will create thousands of new jobs in the distressed area of northeastern Minnesota, stabilize employment there, boost the economy of the whole state, assist education and help reduce welfare and unemployment compensation costs.

## **WHAT DOES THE AMENDMENT DO?**

*It is not a tax cut, or a tax freeze, or a tax break, nor does it involve local taxes. It simply assures for a period of 25 years that the taconite industry will not be singled out for tax increases—that their State taxes can be raised only when income taxes on other industry in the state reach a higher level than the taxes on taconite.*

Processing of taconite requires huge plants that are costly to build. Minnesota presently has only two of these plants; we need many more. A taconite plant producing 7.5 million tons of pellets per year, for example, employs more than 2,200 workers and has a payroll in excess of \$18 million annually. In addition another \$25 million are spent to buy materials and services for operation of the plant.

But in recent years most taconite plants have been built in places outside of Minnesota. If this Amendment is passed, specific commitments have been made which will provide for the prompt construction of 3 new taconite plants at a cost of more than \$400 million. These commitments have been made by U.S. Steel Corp., Hanna Mining Co., the Ford Motor Company and Oglebay Norton Company, who are jointly building a plant near Eveleth.

## **THE NEED IS GREAT . . .**

Northeastern Minnesota is a distressed area. Relief and welfare loads are already overwhelming and they will get worse unless we help create jobs . . . widespread unemployment places an added burden on every taxpayer in the state! Unless the Amendment passes, it will be difficult to meet the growing cost of educating Minnesota children! The economy of the entire state will suffer.

## **AMENDMENT #1 HAS WIDE SUPPORT . . .**

It has the backing of both the Republican and DFL political parties. Governor Karl Rolvaag is for it, and so is former Governor Elmer L. Andersen. Leading citizens throughout the state endorse Amendment #1. So do scores of organizations representing a wide range of occupations, educational, professional, labor and civic activities. The Minnesota State Bar Association and the League of Women Voters of Minnesota have endorsed it.

## **YOUR VOTE IS NEEDED . . .**

Endorsements are important, but it is **YOUR VOTE** that is vital. The passage of any amendment requires a *majority of all votes* cast in the election. Therefore if you fail to vote for the Amendment it's the same as voting against it. Give the Taconite Amendment #1 **YOUR** personal endorsement on November 3 by voting YES.

## **The Taconite Amendment #1 Means Jobs and Prosperity for Minnesotans!**

### **It's RIGHT to Vote YES for Taconite!**

Citizens' Committee for the Taconite Amendment #1  
735 Soo Line Building  
Minneapolis, Minnesota 55402

# WHAT THEY SAY ABOUT TACONITE



KARL ROLYAAG  
Governor  
State of Minnesota

As Governor, I am genuinely interested in the economic future of this state. The Taconite Amendment is important for N.E. Minnesota. I urge its passage.



CHARLES W. MAYO, M.D.  
Chairman, Citizens' Committee  
for the Taconite Amendment #1

I urge all Minnesotans to carefully study the provisions of the Taconite Amendment and to vote for its adoption on November 3rd.



HUBERT HUMPHREY  
Senator  
State of Minnesota

If we in Minnesota are to benefit in terms of jobs and income from our great natural deposits of taconite, we must ratify Amendment #1 at the polls next November.



ELMER L. ANDERSEN  
Former Governor  
State of Minnesota

To encourage investment that will bring jobs and payrolls, we need the Taconite Amendment. It will benefit all of Minnesota.



DWAYNE ANDREAS  
Executive Vice-President  
Farmers' Union Grain Terminal Assn.

The primary reason that every Minnesotan should be for the Taconite Amendment is that it promises to create thousands of jobs.



CLARENCE MYERS  
President  
Minn. Farm Bureau Federation

Minnesota farmers are interested in the growth of the overall economy of our state. The Taconite Amendment will stimulate economic growth in Minnesota.



BOB HESS  
Executive Vice-President  
Minnesota AFL-CIO

The Taconite Amendment offers a foreseeable immediate solution to some of the problems of N.E. Minnesota. I intend to vote for the Taconite Amendment.



EARL T. BESTER  
United Steel Workers  
of America

Minnesotans have a privilege and a responsibility — a chance to vote for the Taconite Amendment which can put N.E. Minnesota on the road to economic recovery.



DOES MINNESOTA NEED  
**Q. TACONITE**

**A. YES.**



**ALL OF  
MINNESOTA  
NEEDS  
TACONITE  
NOW!**

# YES

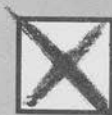
# YES

# YES

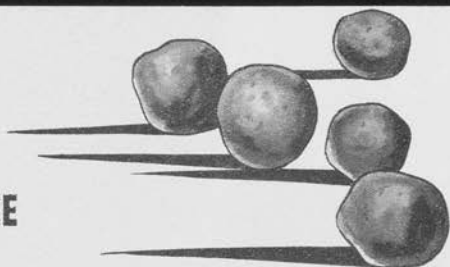
# YES

# YES

# YES



# YES



**CITIZENS' COMMITTEE**  
for the  
**TACONITE AMENDMENT # 1**

735 SOO LINE BUILDING  
MINNEAPOLIS, MINNESOTA 55402

THESE ATTRACTIVE TACONITE STAMPS HAVE BEEN DESIGNED FOR TWO REASONS:

1. To Help spread the word about the importance of the Taconite Amendment # 1 which will provide jobs, help our economy, assist education, allow full utilization of our natural resources.
2. To Help defray the costs of informing voters about the importance of the Taconite Amendment # 1 at the Nov. 3 election.

WON'T YOU PLEASE . . .

Send a check for \$1.00 today to pay for these stamps (or return stamps to us). Mail checks payable to: Citizens' Committee for the Taconite Amendment # 1.

- Order additional supplies and **USE** them on all your correspondence until election day.
- Vote **YES** on the Taconite Amendment # 1 on November 3. It's important to **YOU**.

# YES TACONITE AMENDMENT #1

# TACONITE AMENDMENT

*The Other Side*



## I. The Amendment Violates Constitutional Principles

(a) Most proponents of the amendment concede it is unwise to bind the future by writing tax law into the constitution. Our constitution warns, "The power of taxation shall never be surrendered, suspended or contracted away." Article IX, Sec. 1.

(b) We cannot guess the cost of the amendment in future tax revenues, for the future is unknown, but it will prohibit taxes for the next 25 years which in the past 25 years raised about two hundred fifty million dollars for Minnesota.

(c) Minnesotans should allow the coming generation to determine its own taxes.

(d) It would amend the Constitution by reference to a law—Chapter 81, Laws of 1963. This means that no voter can intelligently vote upon this amendment without a study of this law. Chapter 81 is written in such technical and confusing language as to defy interpretation by even the most interested citizen.

(e) The opening clause of the amendment reads "NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS CONSTITUTION . . ." This clause has the effect of nullifying two other sections of our Constitution without giving the voters an opportunity to vote on those amended sections separately, as Article XIV of the Constitution requires.

(f) The provision for 25 year period in which Chapter 81 could not be repealed or amended violates Article I, Section 1, in the Bill of Rights of our Minnesota Constitution, which states, "Government is instituted for the security, benefit and protection of the *people*, in whom all political power is inherent, together with the right to *alter, modify or reform* such government, *whenever* the public good may require it." In the case of taconite taxes, "whenever" would lose its meaning as a protection for the people.

(g) The amendment's proposed limitations upon the taxing

power of the State Legislature, the people's elected representatives, run counter to the language of Article IX, Section 1, which says that "The power of taxation shall never be surrendered, suspended or contracted away." This sovereign power of the people would be given away, to the taconite industry, for 25 years.

## II. Natural economic factors, not political concessions, will bring U. S. Steel and other companies to Minnesota

State taxes are such a small part of the taconite cost picture (7 to 8¢ per ton) when compared with items such as transportation costs (about \$6.56 per ton), that the tax factor cannot outweigh the standard economic factors controlling location of taconite facilities.

Minnesota's reserves of taconite ore are the only body of such material in the United States large enough to justify the building of major taconite plants.

Proof of this is seen in the Erie Mining Co. and Reserve Mining Co. operations. Reserve just recently invested \$120,000,000 dollars in addition to its original \$190,000,000 investment without concern for Constitutional guarantees. Erie and Reserve are far larger than any other taconite plants in the United States. Natural economic factors also compelled construction of the Ford-Ogleby Norton plant, with or without the proposed political concessions.

United States Steel has announced plans to build a taconite plant in Minnesota, but says it wants this political concession adopted before it goes ahead.

The evidence is strong that the amendment—passed or defeated—will not affect that decision. The evidence includes the following facts:

(a) The amendment does not change current taxes or any other item on a current cost analysis.

(b) Minnesota, according to the company itself, will be chosen on the basis of current factors for United States Steel Taconite development.

(c) The constitutional concessions proposed for Minnesota do not exist anywhere in the world.

(d) United States Steel controls estimated taconite reserves in Minnesota of 12 billion tons. This obviously can only be mined in Minnesota.

(e) United States Steel owns the DM & IR Railroad ready to serve its plant.

(f) United States Steel owns ore docks to handle its production.

(g) United States Steel for a decade has been running pilot studies on its taconite reserves in Minnesota.

(h) United States Steel has acquired the site for its Minnesota plant, making land exchanges with the State of Minnesota.

(i) United States Steel has acquired water rights necessary to its plant.

(j) United States Steel has designed and drawn the plans for its Minnesota Taconite Plant.

### **III. The taconite amendment would give an inequitable political concession to the mining industry.**

Under the amendment the mining industry could be taxed lower than other industry, but not higher. This is inequity. Under the amendment the legislature would be free to recognize most differences among taxpayers, but could not recognize that only the mining industry takes a natural resource out of the state. For 43 years Minnesota, along with many

other states, has recognized this as a valid difference and levied taxes accordingly. To now prohibit "natural heritage taxes" for 25 years is special advantage to the mining industry.

This special advantage is a political concession—a surrender of a portion of the sovereignty of the State of Minnesota. It is not a tax concession, for the amendment would not affect current taxes, and the industry admits it has no complaint about present taconite taxes. The favored position of the taconite industry under present state law is clear from the following:

(a) Taconite companies pay *no* State Corporate Income Taxes.

(b) Taconite companies pay *no* Real Estate Taxes on their buildings and grounds.

(c) Taconite companies pay *no* Personal Property Taxes on their huge investments in plant equipment.

(d) Electric power plants producing power for taconite operations are exempt from Personal Property Taxes.

(e) The Occupation and Royalty Taxes on taconite are fixed at a rate of 12% while natural ores are taxed at 14.25%.

(f) Labor credits up to 75% of the tax allowed as a deduction against both Occupation and Royalty Taxes, making the *effective rate* of taxation only 3.75%.

(g) State-owned taconite lands have been leased for periods up to 75 years and at rates ranging from 11¢ to 16¢ per ton. Private leases are now receiving royalties up to \$1.00 per ton, due to escalator clauses not in the state leases.

(h) Extensive water rights have been granted by the State to aid the taconite industry.

(i) Taxes on unworked taconite lands are limited by law to \$1.00 per acre.

(j) *In lieu* of real estate and personal property taxes, the law provides for a tax of 5¢ per ton of taconite concentrates

produced. 94% of this modest tax is for local government and schools; about one-third of a cent per ton goes to the state.

(k) The 1963 Legislature, in passing Chapter 81, laid down the policy that all taconite taxes, except the *in lieu* taxes for local support, would not be raised above the rates in effect on July 1, 1963.

(l) They enjoy the power of eminent domain.

#### **IV. How would a tax freeze on taconite affect other taxes on the Iron Range and taxpayers throughout the state?**

Since taxes probably will continue to rise due to increased population, demands for public services and advancing price levels, all taxpayers in Minnesota *except* the taconite industry can expect to pay taxes at a higher rate.

To the extent that taxes rise, other business's and individuals will have to bear the added burden of taxation from which the taconite industry will be exempted by the taconite amendment.

School taxes will be affected most importantly by a freeze on taconite taxes. At present, school support comes mainly from local ad valorem taxes—taxes on real estate and personal property—and from state aids paid mainly from state income tax collections.

On the Iron Ranges, nearly a score of school districts receive the bulk of their ad valorem taxes from the taxable value of unmined iron ore. Already the tax base of these districts has shrunk due to ore shipments and adverse rulings and lowered assessments by the State Commissioner of Taxation. The result has been greatly increased taxes on homes and business property and increased payments of state school aid money.

The turn to taconite has already brought about the termination of leases on ore properties, setting the stage for tax delinquency and forfeiture for non-payment of taxes in the near future. Abandonment of ore properties signals the eventual loss of all but a few mines from the tax base.

Since *most* of the Iron Range communities *will not* have a taconite plant to generate *in lieu* taxes, they will have to rely on state school aids to an ever greater degree to operate their schools. Because the state income tax provides most of these funds, the areas of the state which now pay the greatest share of the state income tax, especially the Metropolitan Area, will be taxed to supply the money needed to support the schools on the Iron Range. The steel industry will no longer be liable for taxes on abandoned ore properties and leases and increased state taxes on taconite will be outlawed by terms of the taconite amendment.

#### **There are at least four objections to this amendment:**

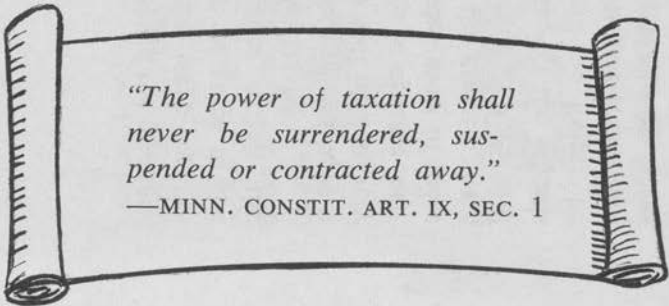
1. It is inequitable. It permits a special interest a tax advantage above all other taxpayers in the state.
2. The tax advantage gives away a great and irreplaceable natural resource tax free!
3. It violates common sense principles of constitutional government.
4. It is unnecessary.



*Prepared and issued by*

CONSTITUTION PROTECTION VOLUNTEER COMMITTEE

Edward J. Gearty, Treasurer      1100 West Broadway  
Minneapolis, Minnesota

A hand-drawn scroll with a wavy, ribbon-like shape. The ends of the scroll are rolled up, showing a series of vertical lines representing the texture of the paper. The text is written in a simple, slightly cursive font.

*"The power of taxation shall  
never be surrendered, sus-  
pended or contracted away."*

—MINN. CONSTIT. ART. IX, SEC. 1

M TO:

E FROM:

M

O SUBJECT

**LEAGUE OF WOMEN VOTERS OF MINNESOTA**

STATE ORGANIZATION SERVICE  
UNIVERSITY OF MINNESOTA  
MINNEAPOLIS, MINNESOTA 55455  
PHONE: 373-2959

DATE 7-10-64

This is the pamphlet from Jack Doves  
I mentioned to you.

# Facts Regarding the Taconite Industry

## What is taconite?

**Taconite is a mineral.** It is a rock-like substance which among other things contains minute particles of iron oxide. The taconite rock is the mother body in which the major iron ore deposits were found in the past. The so-called "direct shipping" iron ores were taken from pockets where the iron oxide had accumulated by leaching and dissolving. The iron oxide dispersed through the taconite rock in particles is now recoverable also by special processes.

## Is taconite a waste material?

**It is a valuable mineral resource.** Research has progressed to the point that it is possible to extract a 62% iron concentrate from the rock. This concentrate has an iron content about 10% higher than direct shipping ores. Use of the taconite concentrate also makes possible substantial economies in blast furnace operation.

## Is the taconite pellet a superior product?

**Yes.** It is much superior to high-grade iron ore because it can be produced at a uniform iron content of 62% which is approximately 10% higher than the high-grade ores. The value of a ton of taconite pellets is estimated at from \$14 to \$20 a ton, while the value of a ton of high-grade ore is estimated at approximately \$12 a ton.

## Are taxes a hindrance to taconite development?

**No.** Taxes are a negligible element in taconite production. The taconite tax rate is approximately 5 to 6¢ per ton and the adjusted occupational tax rate is only about 7 to 8¢ additional a ton so that the tax burden is very small and has no bearing on production.

## Does the taconite industry pay local and state real estate taxes as other industries and individuals including high-grade ores?

**No.** They do not pay any local or state real estate taxes on the value of unmined taconite in the ground, on the land that the plants are situated on, or on the lands containing tailing ponds, stock piles, etc.

## Does the taconite industry pay a personal property tax as other industries and individuals including high-grade ores?

**No.** They do not pay any personal property tax on their plants or machinery, on the generating plants producing taconite pellets or on the trucks, shovels, drills and all their equipment used to produce taconite pellets.

## What then are the taxes on the taconite industry?

1. A tax of 5¢ a ton on taconite concentrates at 62% iron which is distributed as follows:

- 22% of 5¢ a ton to the village or township, or approximately 1.1¢ per ton;
- 22% of 5¢ a ton to the county, or approximately 1.1¢ per ton;
- 50% of 5¢ a ton to the school districts, or approximately 2.5¢ per ton;
- 6% of 5¢ a ton to the state, or approximately .3 of 1¢ per ton.

2. A tax not to exceed \$1 per acre on any forty-acre tract when 1,000 tons of concentrates are not produced (presently no local governing body is receiving this tax).

3. An occupation and royalty tax of a maximum of 12% on a ton of concentrates instead of the 14.25% the high-grade ore pays (because taconite is allowed labor credits up to 75% in the production of concentrates; the effective rate on a ton of taconite is approximately 3.75% rather than the maximum 12% rate).

## How does the tax on taconite differ from other manufacturing industries?

The taconite industry has the advantage of a fair weather taxation system; that is, they pay local and state taxes only when they are in production while other industries must pay their real and personal property taxes regardless of whether or not they are in production.

## How does this affect local subdivisions of government?

This has a very adverse effect in that when the national economy is high and taconite production is high, the Industry pays taxes for the support of local governments, but when the

demand for steel is low and taconite production is low, the local communities have reduced revenues to finance local government.

## Why is taconite tax different than that of other industries?

Taconite is a mineral resource which is depleted by mining and shipping. Minnesota, like other states, recognizes this situation and applies a "severance tax" based on the number of tons shipped. The tax is levied on the value of taconite less the cost of mining or processing because the ore is gone forever when it is shipped. It is reasonable that the tax should represent a fair levy upon the resource.

## Have taxes on taconite been increased since the original 1941 taconite tax law?

**No.** As a matter of fact, taxes on taconite have not been increased since 1941, as it has been on regular ores and all other industries and individuals. In the past three sessions of the Legislature, for example, the following taxes were adopted:

1. The occupation and royalty taxes on regular ores were increased in 1955 by a surtax of 15%, and no taxes were placed on the taconite industry, they were exempt from these increases.

2. In 1957, one of the high years of the occupation tax, \$33 million was paid during that year by the Industry; in 1958, \$16.3 million was paid and this dropped to \$11.9 million in 1959 as a result of a long labor dispute. Although the state needed more revenue for schools, welfare programs, etc., no increase was placed on the taconite industry and no demand was made for an increase in the 1961 session of the Legislature.

## What other tax concessions and special legislation did the Legislature pass since 1941 to aid and encourage the development of the taconite industry?

1. Power plants producing power for taconite were exempt from the personal property tax.

2. The power of eminent domain, the right to take private property after payment, which is usually reserved for the government, was granted to the taconite industry.

3. Labor credits, or part of the cost of labor, was allowed as a deduction from the occupation tax. By this concession the occupation tax for taconite can be reduced by 75% on the cost of labor.

4. In the 1959 session of the Legislature, the same labor credit concessions were applied to the royalty tax for the taconite industry. This meant a considerable tax saving as both Reserve and Erie leased large taconite reserves.

5. The state provided a low royalty schedule for leasing its taconite lands, thereby permitting the Industry to acquire reserves at a fair price. State taconite leases have been extended to as much as 75 years to aid the Industry in its financial programs.

6. Leases from state or exhausted mines can be modified on taconite leases permitting the company to hold these mines for taconite purposes.

7. The taconite industry has been granted extensive water rights to aid its operations.

8. Taconite taxes must be deducted from city and school levies operating under the per capita law, thereby reducing ad valorem taxes on other ores.

## Has the taconite industry grown and expanded since the 1941 taconite tax law?

**Yes.** Reserve and Erie have invested approximately \$600 million in the development of taconite. This past year, Reserve announced that it is investing \$120 million for further expansion of the taconite industry. The present taconite production is approximately 13.6 million tons of concentrate and it is expected with the expansion program to increase it to approximately 17.5 million tons.

## Is the taconite tax a major cost in the production of taconite?

**No.** The total for freight on a ton of taconite concentrate was \$6.56. Recently, the Interstate Commerce Commission granted an 11¢ a ton increase to the railroad industry for the shipment of taconite which is more than the occupation and royalty tax on taconite and twice as much as the 5¢ a ton production tax.

Tax on taconite is approximately 13¢ a ton, while, for example, the cost of shipping a ton of taconite concentrate is as follows:

(OVER)



1. Rail transportation from mine to Upper Great Lakes Port is \$1.47; water transportation per ton down the Great Lakes is \$2.28.

2. Rail transportation rate from Lower Port to blast furnaces is \$2.81.

#### **Is unemployment in the mining industry the result of taxes?**

**No.** Below are figures from the Department of Employment Security which indicate that the lack of employment in the mining industry is the result of a national recession rather than because of taxes: (January 1, 1961)

##### **Steel-Producing Centers**

1. Erie, Hammond and East Chicago district—21,800 unemployed, or 9.9% of the total labor force.
2. Pittsburgh, Pennsylvania district — 122,000 unemployed, or 12.9% of the total labor force.
3. Youngstown, Ohio district — 25,000 unemployed, or 12.7% of the total labor force.

##### **Iron Ore Producing Centers of Minnesota**

1. Aitkin, Crow Wing and Itasca Counties—4,300 unemployed, or 13.9% of the total labor force.
2. St. Louis County, except Duluth—6,000 unemployed, or 11.4% of the total labor force.
3. Duluth and Superior area—7,700 unemployed, or 12.2% of the total labor force.

#### **Are wages a problem in developing taconite industries in comparison with the wages paid in foreign countries producing high-grade ores?**

**No.** The truth is that although real wages—or, in this case, daily wage—are lower abroad than for comparable jobs in the United States, a vastly more generous fringe benefit program may completely wipe out this differential.

In the case of Venezuela, the daily wage is somewhat less than half of that earned by the miner on the same job working for the same company in the United States. But then, in Venezuela, this miner not only gets paid for the five or six days he works each week, but he also gets full pay for the 7th day, which he **doesn't work**, each week. In addition, he gets full pay for the 6th day, which is **not worked** on alternate weeks. One of the improvements of the last contract was to cut the work week down from 48 hours to 44 hours at no loss of pay. This was achieved by making the 6th day of every other week a paid holiday. So, one week the workers are on the job six days and get paid for seven, and the other week they are on the job five days and also get paid for seven—at the full regular rate.

Then, too, all workers participate in a profit-sharing bonus of **sixty full days pay each year.**

The Venezuelan worker, therefore, works—aside from vacations—twenty-six weeks at six days and twenty-six weeks at five days, or a total of 286 days per year. The workers get paid, however, for seven days a week—that is, 365 days a year—plus sixty days profit-sharing bonus, or a total of 425 days each year. In addition, every worker with one year or more of service in Venezuelan mines of United States Steel receives thirty days paid vacation per year. There are numerous other forms of time paid for, but not worked: For example, if a man should be called out for special work on a Sunday, he normally would get all the bonuses, but he also would be given a day off with pay the following week. Transportation time is paid for, as a further example.

#### **Do taconite pellets make a superior product for the blast furnaces?**

**Yes.** It increases the efficiency of the blast furnaces about 50%, as stated by Fred Devancy, Head Metallurgist for Pick-and-Mathers Iron Ore Company in the Skillings Mining Review of November, 1960.

#### **Is the mining industry seeking special tax concessions in other states?**

**Yes.** In the Michigan legislature the mining industry sought special tax concessions in the equalization of real and personal property taxes, and, second, a tax law for underground ores similar to the taconite tax law in the State of Minnesota. The Michigan legislature defeated both of these bills. In the steel-producing areas such as Pittsburgh, Pennsylvania, the steel industry is seeking tax equalization in those areas also.

#### **Does the mining industry lend itself to automation?**

**Yes.** For example, in 1921, with 22 mines operating, 5,957,244 tons were shipped with 5,011 men employed; in 1957, with

47 mines operating, 16,002,905 tons were shipped with 4,039 men employed, or approximately 1,000 less men working in the mining industry. These figures are from the Annual Report of the Inspector of Mines, Itasca County, Minnesota.

#### **What is the future of the taconite industry: will it grow?**

**Yes.** Because the taconite pellet is a superior product and increases the efficiency of the blast furnaces by 50%, this is an incentive to move into taconite production. Based on this efficiency and the future increases in the economies of the smelting operations of taconite pellets, some authorities expect that by the year 1975 the production of the taconite pellet will increase to approximately 45 million tons. This indicates that when the United States reaches full employment and full production, it will be imperative that the taconite industry increases its production in order to provide the needs of increased steel for a growing nation.

#### **Does the mining industry under the occupational royalty taxes do as well as industries under the corporate income tax law?**

**Yes.** Figures reported two years ago by a study of the Governor's office show the following: in the year 1958, the mining industry combined made a total profit of about three times the average of the following Minnesota corporations: Minneapolis-Honeywell who had a 7.8 per cent profit; General Mills had a 2.7 per cent profit; Archer-Daniels-Midland which had a 2.8 per cent profit; Minneapolis-Moline which had .33 per cent profit; Minnesota Mining which had 11.7 per cent profit; M & O Paper Co. that had almost 10 per cent profit; Minneapolis Brewing Company that had 1.8 per cent profit; Pillsbury Mills that had 1.3 per cent profit. In that same year, all other mining companies with the exclusion of Oliver Iron Mining had a 12.68 per cent profit for the year, while Oliver enjoyed a 19.30 per cent profit.

#### **What other tax advantages on the federal level does the mining industry have?**

**First,** the federal government requires the industry to pay a corporation income tax, but also makes broad concessions such as the 15% credit on their gross income for depletion of resources.

**Second,** the federal government has granted fast tax write-offs for construction of plants for the processing of low-grade ores. In Minnesota alone in a 2½ year period from 1950 to 1952, the federal government approved fast tax amortization for plants in Minnesota to the extent of \$326 million or about 75% of the cost of these plants.

#### **How does the tax on the taconite industry compare with the taxes on industries mining the regular ores not covered by the taconite tax law?**

They have a tremendous tax advantage because regular ores pay an ad valorem tax (real and personal property tax) on reserves in the ground, equipment, plants, etc. The taconite industry pays a production tax of between 5 and 6¢ per ton of taconite concentrates produced. To cite an example of the differences in the tax as a result of these concessions, if the 1958 shipments of regular ores were based on the taconite production tax, the following comparison could be made:

In 1958, shipments of regular ores amounted to 33,247,356 tons for which the Industry paid an ad valorem tax on the reserves in the ground, on the plants, equipment, etc., of \$26,662,938. If this same tonnage were taxed on the same basis as taconite, they would have paid a production tax of \$1,754,297\* or a tax savings of \$24,908,064\*.

#### **How much taconite is there?**

**Estimates vary greatly.** In all information available, the experts indicate that the State of Minnesota is the only area where the deposits of magnetic taconite is so great that such large commercial plants as they have in Northeastern Minnesota are feasible. For example, the Lake Superior district has approximately 82% of the estimated reserves of iron ore in the United States. This Lake Superior District includes Minnesota, Michigan and Wisconsin and in the Lake Superior District, Minnesota has seven times as much iron ore reserves as Wisconsin and Michigan combined. Minnesota has thirty times as much taconite as Michigan and over sixty times as much as Wisconsin.

\*This has been computed from a shipment analysis of iron ore from the 1960 Mining Directory, Table 6. 57,765% dried Iron.

Prepared and issued by Minnesota AFL-CIO Federation of Labor, 47 West 9th Street, St. Paul 2, Minnesota.





# Taconite and Semi-Taconite — Constitutional Amendment

CHAPTER 99

H.F. NO. 1150

(Not Coded)

*An Act proposing an amendment to the constitution of the State of Minnesota by adding thereto a new article prohibiting the amendment, modification, or repeal for a period of 25 years of laws of Minnesota 1963, chapter 81, relating to the taxation of taconite and semi-taconite, and facilities for the mining, production and beneficiation thereof; and to taxes imposed upon or required to be paid with respect to the mining, production or beneficiation of copper, copper-nickel, and nickel in this state.*

Be it enacted by the Legislature of the State of Minnesota:

**SECTION 1. Taconite and semi-taconite: Constitutional Amendment.** An amendment to the constitution of the state of Minnesota by adding thereto a new article prohibiting the amendment, modification, or repeal for a period of 25 years of Laws of Minnesota 1963, Chapter 81, relating to the taxation of taconite and semi-taconite, and facilities for the mining, production and beneficiation thereof; and also authorizing the legislature to impose limitations for a period of not more than 25 years with respect to the taxes imposed upon or required to be paid with respect to the mining, production or beneficiation of copper, copper-nickel, and nickel, is hereby proposed to the people of the state of Minnesota for their approval or rejection, which amendment, if adopted, shall be known as Article XXI of the constitution of the state of Minnesota, which proposed amendment reads as follows:

## ARTICLE XXI

**SECTION 1.** Notwithstanding any other provision of this constitution, Laws of Minnesota 1963, Chapter 81, relating to the taxation of taconite and semi-taconite, and facilities for the mining, production and beneficiation thereof shall not be repealed, modified or amended, nor shall any laws in conflict therewith be valid, for a period of 25 years after the adoption of this amendment; and laws may be enacted, fixing or limiting for a period of not more than 25 years but not extending beyond the year 1990, the tax to be imposed upon persons or corporations engaged in 1) the mining, production or beneficiation of copper, (2) in the mining, production or beneficiation of copper-nickel, or (3) in the mining, production or beneficiation of nickel. Taxes imposed upon the mining or quarrying of taconite or semi-taconite and upon the production of iron ore concentrates therefrom, which are in lieu of a tax on real or personal property, shall not be considered to be occupation, royalty, or excise taxes within the meaning of this amendment.

**SECTION 2.** This proposed amendment shall be submitted to the voters for approval or rejection at the general election for the year 1964 in the manner provided by law. The ballots used at the election shall have printed thereon:

“Shall the constitution of the state of Minnesota be amended by adding an article to be known as Article XXI prohibiting the amendment, modification, or repeal for a period of 25 years of Laws of Minnesota 1963, Chapter 81, relating to the taxation of taconite and semi-taconite and facilities for the mining, production and beneficiation thereof; and also authorizing the legislature to impose limitation for a period of not more than 25 years with respect to taxes imposed upon or required to be paid with respect to the mining, production and beneficiation of copper, copper-nickel and nickel?

Y E S .....

N O ..... ”

Approved March 22, 1963.

November 1, 1963

Mrs. L. G. Murray  
State Item Chairman  
League of Women Voters of Minnesota  
Box 82  
Minnetonka Beach, Minnesota

Dear Mrs. Murray:

It was thoughtful of you to send me a copy of your Taconite Amendment Section for comments. However, before commenting, let me congratulate you for an outstanding job of discussing a difficult question. Frankly, I don't see how one could be more unbiased in his presentation or more specific in the coverage of the important items.

Since you do ask for suggestions, I have taken the liberty of modifying the TACONITE TAX SUMMARY, page 4, to include information on the School and Special Taxes. These amounted to approximately \$1,005,050 in 1961, and represent a very significant contribution to local government. In effect, they are the same as the property tax, and inasmuch as the school bonds, etc., will be written off over a very extended period of time, this will be a continuous tax burden. Therefore, I feel that the 35.5 cents a ton presents a clearer picture of outlay, particularly when compared with the average total of state and local taxes on a ton of natural ore of \$1.47.

These changes have been indicated on page 4, and I am attaching supporting information that was uncovered during our study during the spring of 1962. Perhaps, if you wish, you could receive more up-to-date information on the value of these items for 1962. I am returning the copy you send me of the write-up, and would greatly appreciate your sending me a copy of the final ~~draft~~ when it is completed.

Again, our congratulations and thanks.

Sincerely yours,



E.P. Pfeleider  
Professor of Mineral Engineering

EPP/lvs  
Enclosure

DEC 4 1963

ELMER L. ANDERSEN  
1150 EUSTIS STREET  
ST. PAUL 8, MINNESOTA

December 3, 1963

Mrs. L. G. Murray  
League of Women Voters of Minnesota  
University of Minnesota  
Minneapolis, Minnesota

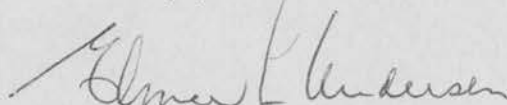
Dear Mrs. Murray:

Thank you so very much for your letter of November 27.  
Attached is a copy of the publication of the Bureau of Economic  
Studies, Macalester College which gives a good deal of information  
on the Taconite industry and the Taconite Amendment.

The publication is available without charge from the Bureau of  
Economic Studies, Macalester College. If you can list this in  
the reference materials it could be very helpful to your units.

I have heard high praise from one of the people who read the  
publication that will be used by the League, and who also felt  
you had done a most excellent job in preparing the study material  
on the Taconite Amendment.

Cordially yours,

  
Elmer L. Andersen

ELA:dp

UNIVERSITY OF *Minnesota*

SCHOOL OF BUSINESS ADMINISTRATION  
MINNEAPOLIS, MINNESOTA 55455

Office of the Dean

November 13, 1963

Mrs. L. G. Murray  
Minnetonka Beach  
Minnesota

Dear Mrs. Murray:

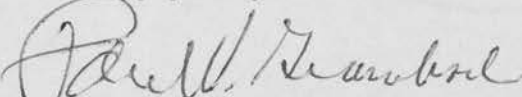
I have read the material you sent me. I believe that from the standpoint of a factual piece, it is very good.

I'm not sure of your purpose. The analysis could be more detailed but this depends upon your purpose. I notice that you have more pros and cons on some taxes than others. The taconite tax proposal might be sharpened more with respect to this point.

Please call me if you wish to discuss this further.

You are doing a real service to all citizens of the state in bringing out this material, and I hope your work will not go unrewarded.

Sincerely yours,



Paul V. Grambsch  
Dean

PVG:pk





STATE OF MINNESOTA  
DEPARTMENT OF TAXATION  
CENTENNIAL OFFICE BUILDING  
SAINT PAUL 1, MINNESOTA

NOVEMBER 23, 1963

MRS. L. G. MURRAY  
LEAGUE OF WOMEN VOTERS OF MINNESOTA  
MINNETONKA BEACH  
MINNESOTA

DEAR MRS. MURRAY:

I HAVE REVIEWED THE PROPOSED PUBLICATION ENTITLED "MINNESOTA TAXES ESTABLISHED BY SPECIAL CONSTITUTIONAL PROVISIONS."

I AM SORRY I HAVE NOT HAD AN OPPORTUNITY EARLIER TO SEND YOU MY COMMENTS. IT IS AN EXCELLENT ARTICLE AND A GREAT DEAL OF WORK MUST HAVE BEEN SPENT IN THE PREPARATION OF IT. I HAVE SEVERAL MINOR SUGGESTIONS THAT I WOULD LIKE TO MAKE ON CERTAIN MATERIAL CONTAINED IN IT.

ON PAGE 3, WHERE THE NON-STATUTORY DEDUCTIONS ARE ENUMERATED, THE LOADING DEDUCTION ONLY APPLIES TO MATERIAL IN STOCKPILE. THEREFORE, THE WORDS "FROM STOCKPILE" MIGHT BE INCLUDED AFTER THE WORD "LOADING."

IN ITEM 4 OF NON-STATUTORY DEDUCTIONS THE INSURANCE REFERRED TO IS MARINE INSURANCE AND CARGO ANALYSIS.

IN THE 4TH PARAGRAPH ON PAGE 3, IT MIGHT BE NOTED THAT THE 14.25% TAX RATE APPLIES ONLY TO NATURAL ORES. THE OCCUPATION TAX ON TACONITE AND SEMI-TACONITE IS 12%.

IN THE LAST PARAGRAPH ON PAGE 3, IN ADDITION TO FEDERAL INCOME TAXES AND SALES DISCOUNTS THERE ARE ALSO OTHER DEDUCTIONS NOT ALLOWED IN THE COMPUTATION OF OCCUPATION TAXES WHICH ARE ALLOWED FOR INCOME TAX PURPOSES. THESE DEDUCTIONS INCLUDE ADMINISTRATIVE COSTS OUTSIDE OF MINNESOTA, CONTRIBUTIONS, DEPLETION, AND LEGAL EXPENSES.

ON THE TOP OF PAGE 4 WHERE IT IS REFERRED TO THAT MINING LEASES REQUIRE THE PAYMENT OF TAXES, THE WORD "USUALLY" MIGHT BE INSERTED, SINCE IN SOME INSTANCES THEY DO NOT.

IN THE LAST PARAGRAPH OF PAGE 4 WHERE IT IS STATED THAT THE OCCUPATION TAX WAS LEVIED IN ADDITION TO ALL OTHER TAXES, IT MIGHT BE NOTED THAT THE STATUTES PROVIDE THAT

MRS. L. G. MURRAY  
PAGE 2  
NOVEMBER 23, 1963

IT IS "IN LIEU" OF INCOME TAXES.

*not used*  
ON PAGE 5 IT IS NOTED THAT THE RATE AND THE FORMULA FOR DETERMINING THE VALUE OF IRON ORE ARE STATUTORY. THE RATE IS STATUTORY BUT TO SOME EXTENT THE FORMULA HAS BEEN ARRIVED AT BY ADMINISTRATIVE DECREE WHICH HAS BEEN APPROVED BY THE COURTS.

ON PAGE 10 IN THE 3RD PARAGRAPH, IT IS NOTED THAT MINNESOTA IS UNIQUE IN THE LARGE AMOUNT OF FOREST LANDS IN COUNTY OWNERSHIP AS A RESULT OF TAX FORFEITURE. THE ACTUAL OWNERSHIP OF THIS LAND IS IN THE STATE, IN TRUST FOR THE TAXING DISTRICTS.

ON PAGE 14, A NOTE IS CONTAINED IN PARENTHESIS THAT THE MAJOR AIRLINES HAVE REFUSED TO PAY THE 1960 ASSESSMENT AND THAT THESE CASES ARE STILL PENDING IN THE COURTS. A COMPROMISE HAS JUST RECENTLY BEEN REACHED ON THIS, AND STIPULATIONS FOR DISMISSAL HAVE BEEN EXECUTED AND FILED.

AGAIN, I WISH TO CONGRATULATE YOU ON AN EXCELLENT JOB; AND I WOULD APPRECIATE YOUR SENDING ME A COPY OF YOUR FINAL PUBLICATION.

VERY TRULY YOURS,

  
\_\_\_\_\_  
ARTHUR C. ROEMER  
DEPUTY COMMISSIONER OF TAXATION

ACR:AEA

January 15, 1964

Proposed Amendments to the Minnesota Constitution, 1964

Complimentary copies sent to: (Experts)

Perry Voldness , Esther Tomljanovich - Allen Sulerud - Gerald Ascher - James McComb  
Arthur Roemer - Ed Schmid (Reserve Mining Company) - Rep. E. J. Chilgren - Dean Grambsch  
Dr. Short - Dr. E. P. Pfeleider - Sen. Gordon Rosenmeir - Sen. Henry McKnight

League Committee:

Sis Fenton, Louise Kuderling, Dorothy Anderson, Rhea Wright, Hazel Shimmin,  
Muriel Grunditz, Joanne Vail, Luella Newstrom, Mrs. Leon Barta, Mrs. H. P. Bodley,  
Mrs. Allen Thorngren, Mrs. Roger Montgomery, Mrs. John Slothower, Mrs. Wm. Jones

Other copies sent to:

Val Bjornson, Elmer L. Andersen, Citizens Committee for Taconite

COMMITTEE ON JUDICIARY  
GORDON ROSENMEIER, CHAIRMAN



State of Minnesota  
SENATE

5 November 1963

Mrs. L. G. Murray  
Box 82  
Minnetonka Beach, Minnesota

My dear Mrs. Murray:

Your letter to Senator Rosenmeier of October 28 is on his desk with the material you enclosed with it. I know he would like to send you comments but he has been away from the office almost constantly for the past week and I doubt that he will have a chance to attend to it before Thursday as you requested.

I am taking this upon myself to write because I know that he would not want your request to go unacknowledged.

Yours truly,

*Loetta Adams*  
Secretary



from Marge Thompson

Sept. 23, 1963

to Sue Murray

In order to get a statement from the mining industry or an official of a mining company about the need for the taconite constitutional amendment, I talked with Ed Schmid, Director of Public Relations, Reserve Mining Company, here in Silver Bay. I explained what the League was doing and my part in the project, of course, and Mr. Schmid has asked me to pass on to you the following:

If the League publishes and distributes information about the constitutional amendment for taconite, the League will do a great disservice to its members and the state of Minnesota if any of the information, pro or con, is incorrect or not completely factual. Mineral taxation is an extremely complex subject and it is not reasonable to expect an accurate presentation by anyone who has not made a personal study over a period of years. Further, more misstatements and misinformation have been published on this particular question--both innocently and intentionally--than any other subject these last few years. For this reason, before any material is published for distribution, either pro or con, some knowledgeable person such as an author of the legislation, or a public relations or tax or legal representative of the taconite companies, should have an opportunity to review the material for the sake of accuracy. If this seems unfair, the pro and con material could also be submitted for review by knowledgeable persons who are opposed to the amendment. The purpose of this is not to dictate to the League what it should say, but simply to call the League's attention to any erroneous information which the League, innocently, is about to publish. The League could then decide what steps it should take. It could investigate further. It could make corrections where and if needed. At least, the League would be forewarned as to the accuracy of its material.

I have assured Mr. Schmid I will pass this suggestion on to you and I have promised to give him your reply. It seems to me that his request is fair and proper. Certainly I would never feel right if any of the material which I have submitted is incorrect, and I'm certain the author of the opposition material would feel as I do. Mr. Schmid tells me that this need not cause unnecessary delay because just as soon as the material is ready, arrangements can be made for an immediate review by a knowledgeable person.

SAMPLE BULLETIN STORY  
ON AMENDMENTS

Taconite and taxes - the Minnesota legislature has gone round and round considering this complex taxation problem for years. Now the legislature has passed the question on to us, because the amendment is to be considered by the voters in the November 1964 elections. Along with the taconite amendment will be another which would erase eight obsolete provisions from our state constitution. As League members we will study both.

We've all picked up bits and pieces of information on the taconite amendment through newspapers, radio and television, but now we must take a long look at the entire situation. We'll study the taconite amendment under our Current Agenda item of constitutional revision by amendment.

These are some of the areas we will consider. How is taconite produced? What are the many taxes that affect taconite? What do the provisions of the amendment mean to the state and the industry? What are the economic, taxation and constitutional issues involved in the amendment? Our new state publication, Proposed Amendments to the Minnesota Constitution - 1964, should be read by every member to prepare for a meaningful discussion of the questions. Examination of the amendments will culminate in consensus which will give direction to the League's amendment campaign next fall.

Proposed Amendment 1 to Constitution of Minnesota, General Election  
of 1964, Relating to Taconite and Semi-Taconite Taxation:

"Be it enacted by the Legislature of the State of Minnesota:

Section 1. An amendment to the constitution of the state of Minnesota by adding thereto a new article prohibiting the amendment, modification, or repeal for a period of 25 years of Laws of Minnesota 1963, Chapter 81, relating to the taxation of taconite and semi-taconite, and facilities for the mining, production and beneficiation thereof; and also authorizing the legislature to impose limitations for a period of not more than 25 years with respect to the taxes imposed upon or required to be paid with respect to the mining, production or beneficiation of copper, copper-nickel, and nickel, is hereby proposed to the people of the state of Minnesota for their approval or rejection, which amendment, if adopted, shall be known as Article XXI of the constitution of the state of Minnesota, which proposed amendment reads as follows:

ARTICLE XXI

Section 1. Notwithstanding any other provision of this constitution, Laws of Minnesota 1963, Chapter 81, relating to the taxation of taconite and semi-taconite, and facilities for the mining, production and beneficiation thereof shall not be repealed, modified or amended, nor shall any laws in conflict therewith be valid, for a period of 25 years after the adoption of this amendment; and laws may be enacted, fixing or limiting for a period of not more than 25 years but not extending beyond the year 1990, the tax to be imposed upon persons or corporations engaged in (1) the mining, production or beneficiation of copper, (2) in the mining, production or beneficiation of copper-nickel, or (3) in the mining, production or beneficiation of nickel. Taxes imposed upon the mining or quarrying of taconite or semi-taconite and upon the production of iron ore concentrates therefrom, which are in lieu of a tax on real or personal property, shall not be considered to be occupation, royalty, or excise taxes within the meaning of this amendment.

Section 2. This proposed amendment shall be submitted to the voters for approval or rejection at the general election for the year 1964 in the manner provided by law. The ballots used at the election shall have printed thereon:

"Shall the constitution of the state of Minnesota be amended by adding an article to be known as Article XXI prohibiting the amendment, modification, or repeal for a period of 25 years of Laws of Minnesota 1963, Chapter 81, relating to the taxation of taconite and semi-taconite and facilities for the mining, production and beneficiation thereof; and also authorizing the legislature to impose limitations for a period of not more than 25 years with respect to taxes imposed upon or required to be paid with respect to the mining, production and beneficiation of copper, copper-nickel and nickel?

Yes .....

No ....."



CHAPTER 81, LAWS OF MINNESOTA, 1963

See also Proposed Constitutional Amendment One, (Laws 1963, Chapter 99)

An Act declaring the policy of the state with respect to the taxation of taconite and semi-taconite, and facilities for the mining, production, and beneficiation thereof.

Be it enacted by the Legislature of the State of Minnesota:

(298.40) Taconite and semi-taconite, limitations on taxation

Section 1. (Subdivision 1.) The combined occupation, royalty, and excise taxes imposed upon or required to be paid with respect to the mining, production, or beneficiation of taconite or semi-taconite by any person or corporation engaged in such mining, production, or beneficiation, shall not be increased so as to exceed the greater of (a) the amount which would be payable if such taxes were computed under the laws in existence as of July 1, 1963, or (b) the amount which would be payable if such person or corporation were taxed with respect to such mining, production, or beneficiation under the income, franchise, and excise tax laws generally applicable to manufacturing corporations transacting business within the state, as such laws may be enacted or amended from time to time, except that for the purpose of the computation under this clause (b), (1) income shall be apportioned to Minnesota in the manner which may be otherwise specified by law; (2) operating losses shall be carried forward from one taxable year to another only to the extent which may be otherwise permitted by law; and (3) the market value of the taconite or semi-taconite, or the beneficiated product thereof, at the point where the beneficiation processes within this state are completed may be treated by law as gross receipts for the purpose of determining gross income from the business of mining, producing, or beneficiating taconite or semi-taconite, provided that if such market value is so used, to the extent that federal income taxes are deductible in computing taxes of manufacturing corporations generally, deductions shall be computed and allowed as if such taxes had been computed, assessed, and paid under the federal income tax laws with the market value of the taconite or semi-taconite or the beneficiated product thereof constituting the gross receipts for the purpose of determining gross income from the business of mining, producing, or beneficiating taconite or semi-taconite.

Sec. 2. (Subd. 2.) Taxes imposed upon the mining or quarrying of taconite or semi-taconite and upon the production of iron ore concentrates therefrom, which are in lieu of a tax on real or personal property, shall not be considered to be occupation, royalty, or excise taxes within the meaning of this section.

Sec. 3. (Subd. 3.) For the purpose of this section "taconite" and "semi-taconite" shall have the meaning given to them by laws in existence at the time of the adoption of this section.

Approved March 18, 1963.



Proposed Amendment 2 to Constitution of Minnesota, General Election of 1964, Changing Obsolete Provisions of the Constitution:

- Section 1. Deletes from Article IV, section 2 reference to "Indians not taxable under the provisions of law."
- Section 2. Deletes from Article IV, section 7 language prescribing pay of senators and representatives at three dollars per diem during the first session.
- Section 3. Deletes from Article IV, section 23 language requiring a state census in 1865 and each tenth year thereafter.
- Section 4. Deletes from Article IV, section 26 provisions for election of United States Senators by joint session of the legislature. Superseded by Amendment 17 to U. S. Constitution in 1913.
- Section 5. Deletes from Article IV, section 32 (b) provisions restricting the use of proceeds of the Internal Improvement Land Fund until popular vote thereon. By popular vote in 1884, use of these funds to pay the Minnesota State Railroad adjustment bonds was authorized.
- Section 6. Deletes from Article V, section 4 provision for appointment of a "state librarian." State law librarian is appointed by Supreme Court.
- Section 7. Repeals Article VII, section 8 restricting rights of women to vote. Superseded by Amendment 19 to U. S. Constitution.
- Section 8. Deletes from Article VII, section 9 specific provisions for elections of 1884, 1886 and expiration of terms in 1887.

Language to appear on 1964 Ballot:

"Shall the constitution be amended by removing the obsolete language of Article IV, Section 2, relating to apportionment of members of the legislature; of Article IV, Section 7, relating to the compensation of members of the legislature; of Article IV, Section 23, requiring a state census; of Article IV, Section 32 (b), calling for a validating election in 1884; of Article V, Section 4, relating to appointment of a state librarian; and of Article VII, Section 9, relating to the first state general election and the first state election; and by repealing Article IV, Section 26, relating to the election of members of the Senate of the United States, and Article VII, Section 8, limiting women's suffrage to school and library elections?

Yes .....

No ....."

SAMPLE BULLETIN STORY  
ON AMENDMENTS

Taconite and taxes - the Minnesota legislature has gone round and round considering this complex taxation problem for years. Now the legislature has passed the question on to us, because the amendment is to be considered by the voters in the November 1964 elections. Along with the taconite amendment will be another which would erase eight obsolete provisions from our state constitution. As League members we will study both.

We've all picked up bits and pieces of information on the taconite amendment through newspapers, radio and television, but now we must take a long look at the entire situation. We'll study the taconite amendment under our Current Agenda item of constitutional revision by amendment.

These are some of the areas we will consider. How is taconite produced? What are the many taxes that affect taconite? What do the provisions of the amendment mean to the state and the industry? What are the economic, taxation and constitutional issues involved in the amendment? Our new state publication, Proposed Amendments to the Minnesota Constitution - 1964, should be read by every member to prepare for a meaningful discussion of the questions. Examination of the amendments will culminate in consensus which will give direction to the League's amendment campaign next fall.

DEC 10 1963



STATE OF MINNESOTA  
DEPARTMENT OF TAXATION  
CENTENNIAL OFFICE BUILDING  
SAINT PAUL 1, MINNESOTA

December 9, 1963

Mrs. L. G. Murray  
League of Women Voters  
State Organization Service,  
University of Minnesota  
Minneapolis 55, Minnesota


Dear Mrs. Murray,

Thank you for sending me a copy of your material on Minnesota Taxes established by Constitutional Provisions. You asked that I review the material and make corrections and comments.

Since the Occupation Tax on the mining of Iron Ore comes directly under my supervision, I have given careful consideration to the material in this regard. Various corrections have been noted in red ink, and I have also enclosed some recommendations for changes in paragraphs 4, 5 and 6 on page 3.

The material on Railway Gross earnings taxation has been reviewed and changes suggested. These changes are written into the text as submitted.

Very truly yours,

  
Allen C. Sulerud  
Director of Property Taxes

ACS:jls

Enclosure

*Arrived too late to  
be used - but most  
suggestions covered by Roemer*

R

MINNESOTA TAXES ESTABLISHED  
BY  
SPECIAL CONSTITUTIONAL PROVISIONS

League of Women Voters of Minnesota, State Organization Service, University of Minn.  
Minneapolis, Minnesota 55455 December 1963M - 35¢



## INTRODUCTION

At this time, when Minnesotans are considering whether or not the Taconite Amendment should become a part of our state constitution, it seems appropriate to examine the six special taxes which already are dealt with in our present constitution.

The general power to levy taxes is granted to the legislature in Article IX, Section 1. Theoretically, nothing more should be required, but at various times in the past it has been thought necessary to add special tax provisions. (All changes in Minnesota's Constitution are proposed by the legislature and become effective only when approved by a majority of those voting in the election at which the proposal is presented.)

### Theory vs Reality

Constitutional authorities are unanimous in stating that special tax provisions do not belong in a constitution. "Ideally, a constitution should be silent on the subject of taxation and finance, thus permitting the legislature and the governor freedom to develop fiscal policies for the state to meet the requirements of their time."<sup>1</sup> The states with equal unanimity have added, and are continuing to add, such provisions. Is, then, a blanket prohibition against special tax articles either desirable or practical? Should each issue be decided on its own merits? Are popular referendums on complex questions of public finance incompatible with a modern concept of government? Or is there some value in a procedure that focuses popular attention on the government's fiscal policies? In practice, how much have constitutional restrictions limited the legislature in working out an equitable tax program? These are some of the questions to be considered,

### Purposes and Provisions

Special tax articles in constitutions relate to industries in two different categories. In the first are industries dealing with basic resources: Minerals, timber, fishing. Here provisions for conservation and development may be as important as the revenue considerations. In the second category are industries of a quasi-public utility nature: banks, railroads, aviation, highway transportation. Here regulation and public policy are of concern.

Specific financial provisions in the ~~second~~ <sup>a constitution</sup> category may:

- 1) provide a special tax in lieu of all other taxes,
- 2) provide a special tax in addition to other taxes,
- 3) set the rate of taxation, or
- 4) earmark the revenue from certain taxes for specific purposes.

### Statutes and the Constitution

In general, even the so-called specific constitutional provisions furnish only broad outlines for taxation; it is still necessary for the legislature to enact statutes setting forth the precise formula, rate, or method of collection within the framework of constitutional direction. Simply reading the constitution, therefore, does not tell the whole story.

---

1. National Municipal League, Salient Issues of Constitutional Revision, 1961, pp. 136-7

Where the constitution is silent, the legislature has broad powers in imposing taxes. During the first six months of 1963, 1021 tax and license laws went on the books of the 50 states; 351 of these were directed at particular businesses or occupations.

A statute, of course, may always be repealed or amended by a subsequent legislature. Constitutional provisions are also subject to change by the amending process, but this is more difficult; once passed, they tend to remain in force.

### Problems of Comparison

It is tempting to try to evaluate Minnesota's tax programs in terms of what has been done in other states; however, this can be somewhat hazardous. The states possess different resources and have had varying historical experiences leading to different constitutional treatment. There is considerable divergence in the amount of financial responsibility borne by different units of government in providing services. Schools, for instance, may be financed on the local level in one state, where another state will make much greater use of state-wide aids. To meet these varying needs the different states use property, sales, personal and corporate income taxes, and special taxes in different combinations. It is impossible to discuss a specific tax on an industry without considering the total tax burden.

Comparing one form of taxation with another, or even comparing similar taxes used in different states, presents additional difficulties. One cannot compare millage rates on property taxes, for example, without knowing evaluation procedures and the ratio of assessed value to market value. The types and amount of allowable deductions obviously affect the impact of corporate income taxes. For these reasons two different economists, one employed by industry and another by the state department of taxation, can give quite different interpretations to a comparative tax study.

The citizen can only weigh the arguments on both sides and try to arrive at his own conclusions. Separating the "good guys" from the "bad guys" on a TV show is made easy for us. Would that tax problems--and many others in our complex society--could be as simply resolved.

### THE OCCUPATION TAX ON IRON ORE

The occupation tax provides an almost classical example of a financial provision in a constitution, written to meet one set of economic conditions, and persisting after these conditions have undergone radical changes. In 1922 when the occupation tax was adopted, Minnesota possessed substantial iron reserves and enjoyed a near monopoly on iron ore for steelmaking; today Minnesota ores face very tough competition; in ten years, given the present rate of production, the reserves of natural ore may be exhausted making the constitutional provision, as it applies to natural ores, obsolete.

Although this study is primarily concerned with the occupation tax, this is only one of several methods by which iron ore is taxed. Therefore, before examining the historical background and present status of iron mining in Minnesota it is necessary to summarize briefly the various types of taxes levied on mineral resources.

Historically, states have tended to encourage the development of minerals by giving preferential tax treatment. Once mining has proved profitable, however, the states have been quick to demand a share of the profits. At the turn of the century the Populist Movement raised the cry of exploitation and put forth the theory that since mineral resources are part of the natural heritage of a state,

irreplaceable once removed, the state should receive a greater share of the profits from mining operations than it receives under the normal taxation of industry. This theory has been put into practice in a number of states.

The most usual form of taxation is the "ad valorem" or property tax; that is, mines are assessed at their capital value and are subject to the general property tax rate. Since much of the value of a mine lies in the ore still under the ground, assessment obviously is difficult. The various formulas used have been the subject of great controversy. In general ad valorem taxes are more in favor with economists than with the mining companies who object to them because they are unrelated to profit and production. Minnesota uses this kind of tax, as do Arizona, New Mexico, California, Kansas, Missouri, Alabama, Wisconsin, Michigan, and Pennsylvania.

A second kind of a tax (not levied on natural ores in Minnesota) is a production tax or tonnage tax under which mines pay a statutory rate on each ton of ore mined. Alabama, Montana and Wyoming use this tax. Texas, although it levies no special tax on iron ore, does impose a severance tax--that is, a payment for the privilege of severing the mineral from the ground--on oil, natural gas, and sulphur.

The corporation income tax is applied to mining companies in Alabama, Michigan, California, New York, Pennsylvania, and Wisconsin, but not in Minnesota.

The occupation tax as established by constitutional amendment in Minnesota, combines some of the features of a severance tax with those of an income tax. Because mining companies pay an occupation tax they do not pay Minnesota corporation income taxes. The occupation tax is levied on the value of the ore produced at each individual mining operation, and not against the company as a whole. The value of the iron ore for tax purposes is determined by the published Lake Erie prices, minus the following non-statutory deductions:

- 1) Loading from stockpile and transportation costs,
- 2) Beneficiation costs (the cost of upgrading the ore),
- 3) Marketing expenses,
- 4) Miscellaneous costs, such as marine insurance and cargo analysis,

and the following statutory deductions:

- 1) Mine development costs,
- 2) Mining costs such as labor,
- 3) Royalties paid,
- 4) Ad valorem taxes paid on iron ore mined during the year.

To these four the 1963 Legislature added two other deductions:

- 5) Credit for research,
- 6) Credit for mines with losses.

To this final value the tax rate is applied. The occupation rate was six percent when first established but has risen to 14.25 percent today. Mines with exceptionally high labor costs may claim a labor credit against the tax liability. The size of this credit has not been large.

Mining companies pay higher taxes than they would under the state corporate income tax, first because the corporate rate is 9.3 percent as compared with the 14.25 percent occupation tax, and second because in figuring an income tax the mining companies would be able to take additional deductions such as federal income taxes, and sales discounts where Minnesota ores have not been able to command the full Lake Erie price. Other deductions not allowed in the computation of occupation taxes which are allowed for income tax purposes include administrative costs outside



of Minnesota, contributions, depletion and legal expenses. The two additional deductions authorized in 1963--particularly the provision allowing companies a credit for mines which lose money against those which make a profit--do give mining companies a tax treatment more like that of other corporations.

A final form of taxation, also used in Minnesota, is the royalty tax--that is, a tax levied on the royalties paid to owners of mining properties by the mine operators. The rate of this tax is the same as that of the occupation tax. Since mining leases usually require that taxes be paid by the mine operator, the royalty tax is a tax on the mine operator and not on the landowner.

In brief review, then, iron mining companies in Minnesota today pay three kinds of state and local taxes: the occupation tax and the royalty tax collected on the state level and the property tax collected on the local level.

The first Minnesota legislation affecting iron ore taxes granted mining companies a virtual exclusion from taxation. In 1881, soon after iron ore was discovered, a tonnage tax of 1/2 cent per tone was imposed in lieu of all other taxes to encourage the development of iron mines. The next ten years, however, saw a complete reversal of feeling. Agrarian discontent focused on the wheat and timber combines, condemned the railroads for discriminatory practices, and demanded that mining property be taxed along with other property. In 1887 the tonnage tax was ruled unconstitutional and an ad valorem tax was enacted.

It was agreed that mining properties should be taxed, but how, and by whom remained a subject of controversy. The range communities pushed for increased evaluations and continuation of local property taxes; the southern part of the state demanded a tonnage tax to be shared by the whole state; the legislature was unsure of its powers and unable to agree. In 1906 a "wide open" constitutional amendment was passed removing restrictions on the legislature's powers to tax and in 1909, after bitter debate, the legislature again passed a tonnage tax--only to have it vetoed by Governor Johnson.

Advocates of the property tax had won. The ad valorem tax stood. In 1913 a property classification law was adopted placing iron ore at 50 percent of "full and true value," the highest classification of any type of property in the state. This was a blow to the mining companies, but worse was to come. Political power in the range communities passed into the hands of the miners who embarked on large public spending programs financed primarily by taxes on iron ore. In Hibbing, for example, under the leadership of Vic Power, village taxes rose from around \$200,000 in 1913 to over \$2 million in 1919. Their elaborate schools and "deluxe" government services became known throughout the nation. Naturally this abundance of wealth aroused not only the disapproval but also the envy of people in the southern part of the state. They too wished to share in mining profits.

It was in this climate that the occupation tax was passed in 1921. Because the legislature had some doubts about the constitutionality of such a tax, they passed it both as a statute and as a constitutional amendment. The amendment was approved by the voters in 1922.

The occupation tax was levied in addition to all other taxes except state corporate income taxes, so the mining companies have continued to pay property taxes. In two range communities mining taxes bear 99.8 percent of the local property tax burden (1960). Per capita taxes in iron range municipalities have remained higher than in comparable non-range communities and as the ore reserves have been depleted the mill rates have been pushed upward to support local governments. Eveleth and Mountain Iron, with 1960 total mill rates of 606 and 614 mills respectively, are good examples of municipalities that have lost much of their mineral valuations and are trying to operate on a greatly reduced tax base.



Although the form of the occupation tax is fixed in the constitution, both the rate and the formula for determining the value of the ore are statutory, giving the legislature flexibility in adjusting the tax to meet changing conditions in the mining industry. Two such changes were made in 1963.

The 1963 Legislature also passed a law declaring its policy on taxing taconite and semi-taconite ores, and passed a bill proposing to make this law an amendment to the constitution. The taconite amendment will appear on the 1964 ballot. It would restrict the statutory raising of the occupation and royalty taxes for 25 years.<sup>2</sup>

Since the middle of the 1950s the position of high grade Minnesota ores has been rapidly deteriorating. First, expansion of mining in South America and Canada has greatly increased the world supply of iron ore, and unfortunately for Minnesota, foreign ores are generally of higher quality. Second, changing technology in the steel-making industry is requiring a higher grade of iron ore. Almost all natural ore in Minnesota will require some beneficiation in the coming years, and even then it will have to compete with taconite. Third, the steel industry itself faces increasing competition from other materials such as aluminum. Finally, the supply of high grade ores in Minnesota is being rapidly exhausted. All these factors are beyond the control of the state except that reducing ore taxes could be a factor in lowering Minnesota ore prices, (thus making them more competitive) and in attracting investment capital needed to expand production facilities.

#### GROSS EARNINGS TAX ON RAILROADS

Even before Minnesota became a state, railroads were paying gross earnings taxes. It all began in 1857 when the territorial legislature granted a charter to the Minnesota and Pacific Railroad--now part of the Great Northern system. This charter required the company to pay to the territory or future state a 3 percent gross earnings tax in lieu of all other state and local taxes and assessments on its property.

Early taxes on railroads were of little financial significance. The state was liberal in giving tax exemptions and in making land grants (close to 3 million acres in fact) to encourage railroad construction.

#### Constitutional Provision

Not until 1871 did the constitution have anything to say about railroad taxation. At that time Article IV, Section 32(a), was adopted, and it is still in effect. It requires that any proposed modification of the gross earnings tax on railroads be submitted to the people and approved by a majority voting at the election. Although most historians tell us this amendment was passed "to guard against corrupt manipulation of the legislature by railroad companies for purposes of securing an exemption of the tax,"<sup>3</sup> it is frequently criticized on the grounds that it places railroads in a privileged position.

In 1887 the gross earnings tax at a rate of 3 percent was made compulsory upon all railroads. Twice the legislature proposed, and the people voted, an increase in this tax: in 1904 the rate became 4 percent; in 1912 the present 5 percent rate was adopted. In 1920, by the same procedure, railroad operating property was subjected to special assessments.

2. For full explanation of the taconite amendment see Proposed Amendments to the Minnesota Constitution 1964, League of Women Voters of Minnesota, 1963.
3. Blakey and Saby, Railroad Legislation in Minnesota

For many years the constitutionality of the gross earnings tax as applied to earnings of interstate railroads was questioned. The Minnesota Supreme Court reasons, however, that gross earnings measure the value of property, that the gross earnings tax is a property tax, and that therefore it constitutes no interference with interstate commerce.

### Present Situation

Minnesota railroads pay to the state a tax equal to 5 percent of their gross earnings; it is paid in lieu of state and local property taxes--real and personal--on the property they own and use for transportation purposes. In addition, all of their property is subject to special assessments and they pay real and personal property taxes on property which they do not use for transportation purposes, as well as income taxes on income from such property.

### Receipts

The gross earnings tax on railroads is an important source of state revenue. Proceeds go into the General Revenue Fund.

Receipts have ranged from \$5½ million in fiscal 1940 to an all-time high of \$14 million in fiscal 1954. In 1955 the proceeds dropped to a little under \$12½ million because of a decline in iron ore shipments; in 1962 they were \$11.1 million. For the first half of 1963, six of the eleven lines which pay the largest taxes showed increases over 1962, and five showed decreases. The Duluth, Missabe and Iron Range Railroad showed the biggest drop, reflecting the sharp fall-off in iron ore shipments. Economic problems have plagued all railroads during the past few years, and gross earnings have declined.

In some school districts, villages and cities, railroad property--exempt from local taxes--represents a large proportion of the total property in the area. The result is loss of local revenue because the gross earnings tax, paid in lieu of property taxes, goes into the state coffers. On the basis of a complicated formula (involving population, pupil units and attendance, as well as the ratio between railroad and other property) certain governmental units are reimbursed by the state for their local revenue loss. School districts, however, are reimbursed from the Income Tax School Fund, not the General Revenue Fund. In 1963 these school districts were Breckenridge, Dilworth, Lake County, Mountain Iron, Proctor, Staples, and Waite Park. Sixteen or 17 villages and cities also received special grants-in-aid. The recipients change as the factors in the above-mentioned formula change.

### The Gross Earnings Tax vs the Property Tax

From the standpoint of administration, the gross earnings tax is the simpler, both for the taxing authorities and for the taxpayer. The State Department of Taxation requires only three full-time employees in the gross earnings tax division--one clerk and two auditors.

One of the principal objections to the property tax as a means for taxing railroads (which most states use, as we will see later) is the difficulty of assessing railroad property. Local assessment usually results in great inequalities, so central assessment has been the rule. Also, tax revenue is not spread state wide.

One of the criticisms of the gross earnings tax is the instability of yield. In prosperous years receipts are high and in periods of economic depression receipts are low because the tax is based on earnings. Revenues from a tax based on property fluctuate far less.



Another thorny consideration is that of revenue for local units of government. Since they always need more money for local services, and since their main resource is the property tax, they suffer when a gross earnings tax is applied and collected by the state in lieu of property taxes. Allocation of receipts back to the local community (as we have seen Minnesota does in certain cases) could be extended. But some authorities argue that this would solve nothing because it would rob the state of its largest source of income for the General Revenue Fund and necessitate a replacement tax of another kind. Nonetheless, local communities continue to make their case. For example: in 1962 the Ramsey County assessor's office estimated the full and true value of railroad property in the City of St. Paul at roughly \$34 million and the direct loss in property tax revenue at almost \$3 million.

Tax experts seem to believe that the system of gross earnings taxation will be used more in the future rather than less.

Minnesota levies several other gross earnings taxes by statute--at rates varying from 4 to 9 percent--on freight line, sleeping car, express, telephone and telegraph companies. Such companies are not exempt from the Minnesota corporation income tax. Over 96 percent of the total gross earnings tax receipts in 1962 were paid by railroad and telephone companies operating in the state.

#### Comparison with Other States

The property tax is the most important single type of tax imposed on railroads in all states except Connecticut, Delaware, Maine, and Minnesota. The 1956 Tax Study Report says Connecticut is the only other state besides Minnesota which levies a tax on the gross earnings of railroads in lieu of all other taxes, but there, too, real estate not used exclusively for railroad purposes is subject to the property tax. Connecticut's gross earnings tax rate is graduated, ranging from 2 to  $3\frac{1}{2}$  percent.

Delaware levies a number of different taxes on the various railroad companies, and Maine uses a combination of the property tax and the gross earnings tax. Maine's rates range from  $3\frac{1}{4}$  to  $4\frac{1}{4}$  percent.

In these three states--Connecticut, Delaware, and Maine--the gross earnings taxes are levied by the legislature and no constitutional provision regulates their change.

Minnesota's seven neighbors--Illinois, Iowa, Michigan, Missouri, North Dakota, South Dakota, and Wisconsin--use the property tax almost exclusively in taxing railroads. The Illinois Central is one major exception; it pays a gross earnings tax in lieu of all other state and local taxes in Illinois.

A comparison of state and local railroad taxes paid in 1953 (ten years ago, but the only figures we could find) showed the national average tax rate on all Class I railroads to be 3.36 percent of their gross earnings, as against 5 percent in Minnesota. The Tax Study Committee found that railroads operating in Minnesota in 1955 paid total taxes equal to 2.91 percent of gross earnings on their operations in Iowa, 4.8 percent in North Dakota, 5.38 percent in South Dakota, and 2.9 percent in Wisconsin--or an average of 3.42 percent in the four states. The Committee's Report concludes: "Minnesota's taxes on Minnesota railroads are higher than they are, on the average, in the important neighboring states as well as in the nation as a whole. Since the rates charged for transportation services are set by the Interstate Commerce Commission on a regional basis, the higher taxes imposed in any one state cannot be passed on in the form of higher rates to interstate users. Thus railroads are operating at a cost disadvantage in the State, one which may, in the long run, weaken their competitive position."

## Pros and Cons of Constitutional Provision Relating to Railroad Taxation

Whether the constitution should require a popular referendum on changes in the form or rate of railroad taxation is a controversial question. The opinion of most authorities on constitutional law is reflected in this general statement:

"It is difficult to reconcile a position demanding a series of constitutional prohibitions or limitations upon the legislature's exercise of discretion in respect to taxation and finance with a real belief in democracy."<sup>4</sup> The current trend is to reduce such prohibitions and to liberalize finance provisions. These authorities also point out, however, that the historical development and experience of a particular state must be studied carefully and that each state must be governed by its own needs. While it helps to look at what other states are doing, it is "dangerous to borrow language or techniques without a full understanding of their meaning and significance for the local situation."

Opponents of Article IV, Section 32(a) relating to railroads argue that a state constitution should contain no special provision for any particular industry. This is not good constitutional law, they say, and binds the hands of the legislature to a degree that makes change very difficult, even when circumstances require change. They also point to the fact that the gross earnings tax rate for railroads has remained at 5 percent since 1912, while taxes of other industries have risen. (Editor's note: One change affecting railroad taxes did occur in 1920 when their property was subjected to special assessments.)

It is interesting to note that the revised constitution submitted by the Minnesota Constitutional Commission in 1948 retained a section on the form of taxation of railroads but took out the requirement for a referendum to change the rate or method of taxation.

A bill to repeal Article IV, Section 32(a) has been introduced regularly in recent legislative sessions. Authors believe the legislature should have the power to prescribe the manner of taxing railroads without a vote of the people. After the 1959 bill was introduced the Minnesota Railroad Industry issued a memorandum stating that any change "would be contrary to the public interest and the continued welfare of the railroad industry and its thousands of employees in this State." It went on to say that the transportation picture has completely changed, and today the railroads are fighting for their economic life. The industry obviously favors a referendum. Yet Mr. Allen C. Sulerud, property tax director in the Minnesota Department of Taxation, in a speech prepared for the National Association of Tax Administrators in June, 1962, wrote: "The comment is sometimes heard that the railroads have been fortunate in having a relatively frozen rate of taxation. To those who are familiar with political realities, however, it is obvious that the voters would be more likely to approve an increase in the rate of railroad taxation than they would be willing to grant a decrease."

Whenever the merits of Article IV, Section 32(a) are debated, the comparative tax rates paid by competitive carriers is always brought up. This is really another problem. The 1956 Tax Study Committee considered it and drew the conclusion that, although the method of tax-burden comparisons between railroads and competing carriers used in their study has some serious defects, the "evidence supports the find, that, on the average, railroads are more heavily taxed in Minnesota than are competing carriers. Pipe lines are a possible exception."

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4. W. Brookes Graves, State Constitutional Revision



Whether this conclusion is valid or not, railroads in Minnesota seem satisfied with the present constitutional provision because under it they know where they stand. If it were deleted and the method and rate of taxation were left up to the legislature, a new and different system "might" be adopted (although this is conjecture). Spokesmen for the railroads argue that competing carriers should be paying more, inasmuch as these forms of transportation are "booming" and do not face the same economic pressures as do the railroads.

## FORESTRY AND TIMBER YIELD

### History

Taxes on timber in Minnesota are of three types: 1) "Ad valorem," 2) auxiliary forest, and 3) tree-growth. The history of their development is the story of forest taxation in Minnesota.

Ad valorem taxes came from the original Article IX of the constitution providing "taxes shall be uniform upon the same class of subjects." This was the general property tax, which, in the case of timber, did work some hardships. So, in 1926, Article XVIII was adopted providing for... "fixing in advance of a definite and limited annual tax on such lands for a term of years and a yield tax at or after the end of such term upon the timber and other forest products so grown..."

By 1929 three principles were emerging, namely:

- 1) Timber is a crop, but one that requires 12-40 years to mature.
- 2) While growing, a crop should be taxed at a low rate.
- 3) A tax approximating an income tax should be collected at time of "harvest," and dedicated to the local units concerned.

As a result of this thinking the Auxiliary Forest Law was enacted in 1929, but because of resentment from farmers who said the land had agricultural possibilities and from certain county commissioners who objected to low tax rate on large tracts, this original law was never put into effect.

In 1945 and 1947 amendments were added (Minnesota Statutes 88.47-88.51) providing for a 40% rate if cut within a year after filing for auxiliary forest contract and reduced by 2% per year to 10% over a 15-year period. This contract must be approved by the Commissioner of Conservation, the county board, and the Executive Council.

However, even this did not seem the best answer, and the University School of Agriculture, especially, maintained these statutes would never be effective. They suggested the compulsory taxation of timberland be based on classification and a distinction be made between unrestricted, or farming, areas and restricted areas with respect to valuations. Out of this came the tree-growth tax laws (Minnesota Statutes 270.31-270.39) passed in 1957. "Productive forest lands accepted for registration under the act pay an annual tax of 30% of the stumpage value of the estimated average annual growth of forest types."<sup>5</sup> This involves an application to the county board and approval by the board. The growth rates are to be reviewed in 1966 and every ten years thereafter.

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5. Allison, Cunningham, and Dana, Minnesota Lands, p. 281

## Intent

A study of the different statutes reveals a very definite effort to solve the problem of forest taxation in a fair and equitable way. While so far no clear cut pattern seems to emerge, the tree-growth law does base its tax on the productive capacity of the land. "All in all, the law constitutes an imaginative attempt to meet a difficult problem in a constructive way. It deserves a thorough trial, with genuine effort on the part of both landowners and county boards to make it work, and with readiness to iron out any wrinkles that experience may uncover."<sup>6</sup>

## Results

Since in Minnesota the county board handles the forest taxes and sets up the rates, these amounts do not appear on the state tax rolls. Approximately 80% of Minnesota's forest land is located in its 16 northeastern counties. Taking St. Louis County as the largest, the tax notice for year 1963 for 1962 taxes carries this item:

Tree-Growth Tax	\$1,056.28
Auxiliary Forest Tax	\$4,934.86

The auditor pointed out that only a few pay the auxiliary forest tax ("five or six"), while a much longer list is involved in the tree-growth tax.

The Timber Producers Association reported that the larger companies like the tree-growth tax, but the small holder is frightened of the book work involved. They also report the following for the year 1962:

Tree Farm Lands owned by pulp and paper companies	Acres - 624,339
Proportion of Minnesota commercial forest land owned by industry	3%
Spent for forest management, protection forest land taxes, research and improvement	\$504,658

The three percent in the above figures again points out the complex land ownership pattern for Minnesota. This state is unique in the large amount of forest lands in state ownership held in trust for the taxing districts. This brings up the problem of over-taxing land to the point of forfeiture and thus removing it from the tax rolls. Each county, especially in the northeast, has had to face up to the problem of over-valuation and high tax rates.

"Forest taxation, whatever the method used, constitutes a part of the basic and difficult task of balancing county expenditures and county receipts. If the cost of public services of all kinds continues its upward trend, financial solvency can be maintained only by reducing costs through more efficient administration or by increasing receipts, primarily through taxes and state aid. Forests and related lands will of course have to carry their fair share of the tax burden, but it is important that the taxes which they pay should be neither confiscatory nor out of line with those paid by other classes of property... Altogether the problem of forest taxation, is likely to require intensive and continuing consideration for a long, long, time."<sup>7</sup>

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6. Allison, Cunningham, and Dana, Minnesota Lands, p. 281

7. Ibid, p. 284

MOTOR VEHICLE AND MOTOR FUEL TAXES  
.....or, highway user taxes.....

The public highway article was added to the constitution in 1920 to establish a network of state roads and insure their location. In 1956 it was revised. The present Article XVI is the 1956 Amendment.

Constitutional Provision

Article XVI specifically authorizes the legislature to provide by law for taxation of motor vehicles and motor fuel. It says the net proceeds from the taxes shall be used solely for highway purposes, and it sets up four special funds into which the money goes. Total receipts go first to the highway user tax distribution fund. After deduction of collection costs and refunds, the net proceeds are distributed to the three other funds in prescribed proportions: 62 percent to the trunk highway fund, 29 percent to the county state-aid highway fund, and 9 percent to the municipal state-aid street fund.

Amount of Revenue

In 1962 these "highway user taxes" brought in \$104+ million, or 12 percent of the state's total revenue for that year. Over \$59 million came from the motor fuel tax (at 5¢ per gallon rate), over \$43 million from the motor vehicle tax, and a little under \$2,000 from motor vehicle operators' license fees and miscellaneous fees. Such fees are not considered a revenue source; their purpose is control and regulation.

Motor Vehicle Tax

Motor vehicle taxes and fees are collected by the Motor Vehicle Division in the Secretary of State's office. The Secretary is the registrar. All vehicles using public streets and highways must be registered, and the registration tax is paid in lieu of a personal property tax. The base and rate of tax varies with each category of vehicle: passenger cars, farm trucks, urban trucks, intercity buses, commercial trucks and buses, and miscellaneous vehicles. The tax rate on cars and trucks decreases as the age of the vehicle increases.

Motor Fuel Tax

The Petroleum Division in the Department of Taxation administers motor fuel taxes (as well as aviation fuel taxes discussed in another section of this study). The tax on motor fuel--chiefly gasoline--was raised from 5¢ per gallon to 6¢ by the 1963 Legislature, the first increase since 1949. It is estimated that this 1¢ additional tax will bring in approximately \$12 million this year.

Since the motor fuel tax is designed as a highway use tax, refunds and exemptions are given on fuel used for non-highway purposes--for example, in tractors or other farm machinery. In 1962 motor fuel taxes collected totaled \$68,767,488 but the refunds for non highway use (\$8,958,795) left a balance of \$59,808,693 for the highway user tax distribution fund.

Why Are These Tax Provisions Put in the Constitution?

One explanation is that inclusion of highway user taxes in the constitution assures a continuing guaranteed fund for highway construction and maintenance, paid by users of the highways. This is the "benefit theory" of taxation. The rationale is that highways confer certain benefits upon a specific group (users), who are taxed in proportion to benefits received. The gasoline tax is in direct ratio to the amount of road use; the motor vehicle tax is based on the assumption that those



who own vehicles will use them. As with all dedicated funds, it is sometimes argued that there might be times when money is more urgently needed for other state government functions.

Perhaps it was also thought necessary to establish in the constitution the relationship of these taxes to the personal property tax (in lieu of) and to gross earnings taxes (industries so taxed use vehicles in their business).

#### In Other States

All states tax gasoline at rates ranging from 5¢ to 11¢ per gallon. The 1962 rate in 7 states (including Minnesota) was 5¢; in one it was 5½¢. Minnesota's new rate of 6¢ per gallon prevails in 19 other states, including the other five in the Upper Midwest. Hawaii County, Hawaii, has the highest rate--11¢.

All states also tax motor vehicles. On the basis of taxes per vehicle, Minnesota ranks fairly close to the average (\$26.99). It is felt that this tax source should produce a smaller proportion of the total revenue than gasoline taxes because the revenue from licenses is tied to the number of registrations, and an increase in numbers does not necessarily mean a proportionate increase in use.

In any consideration of comparative fuel tax rates between states it must be remembered that the ratio of rebates for non highway use varies widely. It is difficult to make valid comparisons by tax rate alone.

#### Comments ... Other Studies

Officials in the State Auditor's department and in the Motor Vehicle Division seemed to consider the highway user taxes basically fair in principle. However, some state officials are not enthusiastic about the idea of these dedicated funds because they may give the Highway Department the opportunity for extravagant spending while other state needs are unmet. Deputy State Auditor Einar W. Johnson pointed out that funds for the administration of the Highway Department have been made subject to legislative appropriations, but this does not affect highway construction funds. Often there may seem to be a surplus, Mr. Johnson said, but since money must be available for matching funds, the term "surplus" is misleading. Nobody would say they have more money than they need, but the impression given was that it is sufficient.

Two groups who favor the concept of dedicated funds for highways are the American Automobile Association (AAA) and Minnesota Good Roads, Inc. The latter is a group composed of road equipment dealers, road construction companies, county commissioners as well as others. They also feel that the motor fuel tax is a good form for apportioning highway costs.

On the other hand, the petroleum interests have stated that too large a proportion of taxation falls on gasoline, and that the increased use of compact cars and trucks indicates the consumer reaction. They point out that, although the total fuel taxes collected have increased in Minnesota, the rate of increase has slowed down in the last few years. They feel a point of diminishing returns will soon be reached.

The Little Hoover Commission recommended consideration of abolishing the non-highway use gas tax refunds to individuals and, instead, making grants in equal amounts to counties for use on rural roads. This might seem to ignore the theory that only users should pay for roads; on the other hand, the principal non-highway users who now receive refunds--the farmers--would be benefited by improved rural roads. It can also be argued that improved roads give indirect benefits to the entire community.



Another recommendation of the Commission was to eliminate age of vehicle as a factor in determining the motor vehicle license tax, because an old car uses the road to the same extent as a new one; not the value, but the privilege of using the highways should be the determinant they reasoned.

A Motor Vehicle Division official felt that if this tax continues to be levied in lieu of a personal property tax on the vehicle, value will have to remain a consideration.

#### AERONAUTICS TAXES

At the end of World War II, Minnesota added the Aeronautics Article to its constitution. Article XIX was designed to make the users of air transportation pay--directly or indirectly--a large part of the cost of the state's aviation expansion program. It authorizes the state to carry on, or to assist other units of government and public corporations to carry on, such a program. It permits the state to incur debt and issue bonds for this purpose. It authorizes the taxation of fuel (both for planes and for vehicles used on airports) and the taxation of aircraft, the latter in lieu of all other taxes.

#### Taxes and Receipts

The legislature set up three major tax sources: 1) a fuel tax with a sliding scale of refunds based on volume of gasoline used,<sup>8</sup> 2) an aircraft registration tax in lieu of personal property tax; and 3) a flight property tax in lieu of personal property tax. Total revenue from these taxes was approximately \$800,000 in 1962.

#### Twin Cities Area Operation

In 1943 the legislature created the Minneapolis-St. Paul Metropolitan Airports Commission, which presently has jurisdiction over the construction, operation and maintenance of all six airports owned and operated by it in the metropolitan area (within a 25-mile radius of the Hennepin and Ramsey County courthouses). The Commission has power to issue bonds and levy taxes. Maintenance and operation are financed by the two cities. The Commission submits an annual budget to each city council, and the law requires that each city must provide the amount necessary to meet its proportional share of the total cost.

8. The tax on aviation fuel was raised from 5¢ to 6¢ per gallon by the 1963 Legislature with the additional 1¢ completely refundable. This change was made so that all fuels (highway and aviation) would be taxed initially at the same rate (6¢) in order to aid the Department of Taxation in administering the motor fuel taxes. With the 1¢ refund a tax of 5¢ per gallon is paid on the first 50,000 gallons purchased. After that a graduated system of refunds is allowed which results in a 5½¢ per gallon refund after 200,000 gallons are used. Under this system the commercial airlines pay 46% to 54% of the tax.

#### Airline % of Total Aviation Fuel Taxes and Average Tax Per Gallon

<u>Year</u>	<u>%</u>	<u>Average Tax Per Gallon</u>
1958	50	\$ .005887
1959	51	.005781
1960	46	.005949
1961	54	.005770
1962	53	.005611

## Why Provide for Aeronautics Taxes in the Constitution?

Both the State Department of Aeronautics, and Mr. Ed Floan of Northwest Airlines agreed that the aeronautics article was put into the constitution to assure funds for aviation expansion. It was modeled after the highway article. Department officials had no complaints about "dedicated funds," but Mr. Floan was of the opinion that the tax receipts should go into general revenue to allow more flexibility in meeting school, health, and other needs. He believes the state is overbuilt in terms of small airports--some never used--and that a pay-as-you-go policy would be adequate. 9

## Results of Aeronautics Taxing Program

The 1950 Little Hoover Commission said: "... the objective of the Department (of Aeronautics) to place airports approximately 40 miles apart has been substantially reached. Planning of airport locations has not been well conceived in all cases... The wisdom of creating so many small fields can be questioned... There are 11 counties with 10 or fewer registered aircraft using fields which have a capital investment of \$15-\$40,000. Clearly, the State has an over-supply of airports at the present time (1950)."

\$2,350,000 has been put into construction of Wold-Chamberlain Airport (by issuing state bonds). Mr. Floan commented that the Aeronautics Department asked for over \$1 million for another runway at Wold-Chamberlain in 1962, which the legislature did not grant. He thinks the runway may not be needed for at least 10 years.

Taxes have been adequate to retire bond issues without resorting to general revenue. Under the present taxes, revenues will be sufficient to retire bond issues and provide some construction funds. At some time in the future the department will be on a pay-as-you-go basis.

There is a "surplus of funds" in the sense that expenditures are kept down so that funds will be available to retire bonds. There is no "surplus" in terms of funds needed. Request for state funds totaling over \$3 million were received from municipalities for the current biennium. The legislature authorized \$1.1 million.

There are two reasons why the Minnesota Department of Aeronautics is not yet operating entirely on receipts.

- 1) An accelerated program to build the new Rochester airport (replacing the old airport) in 1957-61 based entirely on the need of the airlines. This airport's construction cost included \$1 million of state money.
- 2) The expenditure of \$2,350,000 of state funds as authorized by the legislature for facilities at Minneapolis-St. Paul International Airport based entirely on the need of the airlines.

## Comparisons with Other States

Observations of the Little Hoover Commission in 1950 were that no other state except Illinois has been as generous as Minnesota in assisting in the construction of local airports. Based on population, ability to finance, and need for the service, Minnesota has spent more than any state in the Union for building aids and state services.

9. There are now 110 municipal airports in the state.

"Twenty-six states do not levy a gasoline tax on the industry (commercial airlines)," the Commission said in 1950. "The flight property tax has not been adopted in any other state. No other state approaches the amount of tax levied by Minnesota on the interstate aviation transportation industry. The above criticism does not apply to the license tax and gasoline tax on intrastate flying."

Although a complete national study would be needed to determine the tax burden on the airlines, some information on aviation fuel taxes is available. According to American Petroleum Institute tables (1963), seventeen states now impose higher fuel taxes per gallon than Minnesota.

#### Are Minnesota's Aeronautics Taxes Fair?

In terms of the industry, the Little Hoover Commission didn't think so. "The present burden of taxation on commercial airlines, by both the flight property and the gasoline tax, is very much out of line with similar tax burdens levied in other states."

Mr. Floan of Northwest Airlines also considers the taxes excessive and believes they create a vicious circle: the State must keep building, and issuing more bonds, in order to use the revenues. He says the flight property tax and the fuel tax are a tremendous burden and cites the following examples: When the law was enacted, the largest airplane--the DC3--cost \$150,000. Today's jets cost \$7 million. The amount of gasoline carried in a DC3 was 620 gallons, today's jets carry 15 to 16,000 gallons. He also feels there is much duplication of effort on the part of state and federal authorities. The commercial airlines plan to initiate a study of their own in the near future in an attempt to alleviate their tax burden. (Since 1960 the major airlines have refused to pay the total amounts assessed and these cases are still in the courts.)

Department of Aeronautics officials point out that a DC3 airport costs \$100,000 to \$200,000. A jet airport costs many millions of dollars. They feel primary expenditures of state funds has been predicated on airline need.

Speaking for private aviation groups, Mr. Sherman Booen, Executive Secretary of the Minnesota Airport Operators Association, said they do not complain about the gas tax but are unhappy with "excessive" property taxes, now assessed at 40% of full and true value. (The 1962 Lessee Tax collected by townships, counties or municipalities seemed to be their major complaint. Any building constructed on airport grounds is subject to this property tax.) These groups are convinced that excessive taxes account for the small amount of private capital put into private aviation.

And what about John Q Citizen? "If some action is not taken now (1950)," the Little Hoover Commission said, "the state will find itself saddled with a debt and current operating cost for aviation activities beyond the means of the 'user' taxes to finance, thus throwing this burden on general taxpayers who have little interest in and no direct benefit from air transportation." They made seven recommendations involving changes in powers and duties, reduction of taxes and reallocation of receipts, prohibition of state ownership and operation of airports, re-evaluation of state aids and services, and a reduced budget for state aeronautical activity--none of which has been adopted--but new bonds continue to be issued.



The Commission recognized that "some financial aid should be given the key or commercial airports of the state since a large portion of the revenue originates from this source... Twin City property taxpayers... pay debt service on millions of dollars of bonds that have been issued to build metropolitan airports. They have every right to protest against using their share of 'users' taxes to pay for state debt after 1957 (when the original \$650,000 bond issue for construction was to be paid off)... There exists a small and insistent minority that will demand unlimited expenditures for their special benefit. The general taxpayer should not be burdened for the pleasure of a few citizens or for the economic advantage of a special group, except for the early development of such activity (aviation)."

#### Conclusion

Obviously, views differ--both on the merits and fairness of aeronautics taxes and on the uses to which the proceeds are put.



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Report of Minnesota Department of Taxation, Petroleum Division, 1962

Annelle

Sue dear - hope this is what you wanted by way of a suggested outline. It's not an outline and more closely resembles resource than discussion but I feel it's what's needed. xxx Ann/ This should not be included with each publication we sell as we did the last few years; it's only for local League eyes and I think one should be sent with the original LL mailing for each unit in each League. Hopefully, they will actually use this as the report form. Too often, I feel, the article of explanation & wisdom remains with the LL President and the resource chm. gets only the blank and no help as to what to do with it.

#### SUGGESTIONS FOR LOCAL LEAGUE MEETINGS ON THE 1964 AMENDMENTS

We suggest at least 2 unit meetings on these amendments, figuring that tacomite alone will take about 1½ meetings. You will want to handle these amendments differently.

#### AMENDMENT NUMBER ONE

This Taconite Amendment is extremely controversial. You will have difficulty seeing that all sides of the issue are brought out in an impartial manner. We suggest you not schedule an outside speaker on this before your League consensus is taken. This is because during the decision-making process it is important for your members that you keep a careful pro and con attitude; you would find it very difficult to balance your platform because one side of this controversy is much more highly organized and vocal than is the other side. Your resource chairman and discussion leaders will have to double over backwards to be carefully pro and con. If one of them feels her opinion is too firmly formed, she may wish to have a replacement at these unit meetings.

We strongly suggest with this amendment that you get the publication into the hands of each and every unit member at least one month before your discussion. Have these on the table at the previous meeting. Advertise prominently in your Bulletin where the publication may be purchased (name and address of your publications chairman or state agenda chairman or city League office) well ahead of your unit meetings. We suggest that you not attempt to paraphrase the publication or take pieces of it out for use in your Bulletin.

#### Suggested Bulletin Article for LL use on Amendment No. 1

Sue, could you dream up a one column bit  
here for them? Or would a drawing be easier?  
They want something glamorous (verbal or visual)  
so they can draw a big attendance at unit meetings.

#### Suggestions for discussion meetings:

The Resource Leader might briefly state what the proposed amendment is (see p. 6-7// The Statute and the Amendment). Then she might wish to do a brief tacomite tax summary (how about a chart for the bottom of p. 5 and top of p. 6?) stressing the occupation and royalty taxes as these are the only ones which would be effected by the amendment (page 9). This is purely factual information and you may at this point wish to refer to the natural ore tax policy (p. 3) and also to the publication, Minnesota's Constitutional Taxes.

Then the Discussion Leader takes over and makes sure that all sides of the issue are brought out:

economic considerations (pp.7-8)  
tax policy " (8-9)

PRO & CON ON EACH



Expect some pretty violent controversy with this discussion and come prepared with ways to ease the tension. When you are convinced that all sides of the issue have been aired, attempt to seek an area of agreement. See the section on next page *below* labeled BOTH AMENDMENTS.

### AMENDMENT NUMBER TWO

Suggestions for discussion meetings:

The Resource Leader might briefly paraphrase the 8 suggested changes and mention that these present provisions are all obsolete - no policies or actions will be changed under the new wording.

Then your Discussion Leader ~~will~~ might take over and say something like: Since nothing will be changed, it comes down to a question of whether or not it's advisable to remove the "deadwood" from the Constitution and what, if any, effect this might have on increasing or decreasing the chances of major ~~of~~ constitutional revision in the future. During the discussion, you may find concern expressed about the constitutionality of combining 8 changes under one amendment. At this point your Resource Leader will refer to the footnote on p. 1. There may be concern about the reapportionment section or the vote for women section; here again, your Resource Leader will come to your rescue. You as discussion leader will be seeking to evaluate whether or not there is any group feeling on the advisability of supporting or opposing this amendment.

### BOTH AMENDMENTS

Unit #     , LNV of                      wishes to                      Amendment No. 1  
(your League) (support/oppose)

WHY?

(use back of this page for full explanation)

Unit #     , LNV of )))                     wishes to                      Amendment No. 2  
(your League) (support/oppose)

WHY?

(use other side)

Send your unit consensus to your local League Board, which will send on to the state League the composite of thinking in your whole League. Report any areas of agreement, any significant minority and most important FILL IN THE WHY SECTION. Why did your unit wish to support or oppose this amendment? Was the discussion complete and thorough? Do the ladies feel strongly about this agreement? Or was it kind of casual? Or were you split down the middle? How about taking no stand - doing Voters Service instead? This information will be of great help to your ~~state/league~~ local and state Boards in trying to plan your future in the 1964 amendment world and we thank you in advance!!!

Annith

TO: Sue Murray

FROM: Reader Ann

SUBJECT: Minn. Taxes Established by Constitutional Provisions

10/19/63

Another splendid job. But you were right, it did put me to sleep - for 2 whole hours while Nick and some of the kids were at the ball game last night!

p. 2 - your list of 4 financial provisions. This is not a summary of the Purposes and Provisions section but it looks like it to me. Either add "in the second category" so that line reads

Specific financial provisions in the second category may:  
Or else treat it as a summary and add 5) provide for conservation and development of a basic resource.

p. 3 - I particularly like the second paragraph. Add to it the first sentence in the third paragraph and throw out the rest about good guys etc.  
The next section is labeled THE OCCUPATION TAX ON IRON ORE but it's about TAXATION ON IRON MINING so I would suggest that switch in heading and right below it a paragraph added: Iron mining companies in Minnesota today pay 3 kinds of state and local taxes: the occupation tax and the royalty tax collected on the state level and the property tax collected on the local level.  
Then go on with your paragraph about the occupation tax but add a definition about what it is.

p. 5 - add constitutional and legislative so that it reads:  
minus the following non-statutory (or constitutional) deductions etc.  
and the following statutory (or legislative) deductions:

p. 6 - change paragraph 2 to read:  
These, then, are the kinds of taxes paid by the iron mining companies in Minnesota today: the occupation tax and the royalty tax collected on the state level and the property tax collected on the local level. Now, how did this all come about?  
next paragraph, last line - add or property - ad valorem (or property) tax

p. 7 ~~Paragraph 3 - name the 2 communities?? See inclosed clipping. Would it be better to list the 7 or 8 communities where mining taxes are over 90% of the whole?? On second thought best you just leave it the way it is.~~

Last sentence on the page add therefore. Therefore, almost all

p. 8 - first paragraph, I suggest an addition here and change in the last sentence so it reads: All these factors are beyond the control of the state except that reducing ore taxes could be a factor is lowering Minnesota ore prices (thus making them more competitive), and in attracting the investment capital needed to expand and upgrade production facilities.  
paragraph 3 - I think you mean exemptions in stead of exceptions and on the next line do you need that " on acres??

p. 9 - That one sentence paragraph on the bottom should be added to the preceeding paragraph. Unless you're writing for a newspaper, one sentence never stands alone as a paragraph. This happens quite often throughout the paper.

p. 10 - either use sixteen as 16 or else spell out 17

p. 12 - second paragraph. There must be something more recent. Did you check with the Minn. Railroad Assn. or the I.C.C.??? Or Mr. John Budd, Pres. of Great Northern must have more recent information for his merger fight.



- p. 12 continued - bottom - Where's that quote from?
- p. 13 - paragraph one - What do the proponents say? You've got it in these pages but I'm having trouble sifting it out.
- p. 14 - paragraph 1, sentence 2. Either omit it or explain why.  
FORESTRY AND TIMBER YIELD - History - here again, the first time you use ad valorem add or property
- p. 16 - footnote - who's the author?? Footnote form. Now that I'm going back to school as a "rusty lady" and am feeling so smug, let me pass on the words of wisdom from our first day: A research paper has a bibliography consisting of everything read and relevant, alphabetically by authors. Every footnote is numbered straight through and in this form:  
1. Author, Book, city published, name of publisher, date of publication, page p. 22 f. (if you're quoting part of 23 also) p. 22 ff. (if it's 22-24 or on)  
Also introduction and conclusion. Proud of me???
- p. 17 - middle of last paragraph add county?? "by increasing receipts, primarily through county taxes and state aid."
- p. 18 - third paragraph. Do you mean 2 thousand or 2 million?? Also in last sentence I'm not sure what fees you're talking about. How about putting a period at end of line 3, then crossing out first word "and" of line 4, starting new sentence and combining next one like this: A little under \$ 2 ?? ~~from~~ is received from motor vehicle operators' license fees and miscellaneous fees; such fees are not considered a revenue source since their purpose is control and regulation."
- p. 19 - middle. Cross out Put and use Are: Why Are These Tax Provisions in the Constitution?
- p. 21 - lines 13 and 14. To read ???  
the road to the same extent as a new one; not the value. The privilege of using the highways should be the determinant, they reasoned.
- last page - glory be! Conclusion. How about stretching this a bit so it turns out to be a general summary??? Liek this:  
Obviously, views differ--both on the merits and fairness of aeronautic taxes and on the uses to which the proceeds are put. Our purpose in this report is to present to you not only the varying shades of opinion but also the basic factual information behind the six special taxes established in Minnesota's Constitution. These are the taxes on the iron mining industry, railroads, forest products, motor vehicles and fuel as well as the aviation industry.

Amen and you'll be glad to know I don't feel very strongly about any of these suggestions except possibly that one on p. 8 ~~adding~~ adding the bit about ~~adding~~ attracting investment capital.



TO: Sue Murray, Sue our Star  
FROM: Ann Duff, reader  
SUBJECT: Tidbits on the 2 Amendment resource pieces

10/18/63

*Welcome home  
again! Loved getting  
the Postcard - x +*

*Arnette*

This is really a magnificent piece and I bow low with respect.

How about green covers for this and Constitutional Taxes piece to get across the idea of companionship. The accompanying Suggestions for LL Use should go to each unit in the original mailing to LL presidents (for example, 2 to Deephaven with the Amendment piece and Tax piece).

- Page 1 - DEFINITIONS  
add STATUTORY and CONSTITUTIONAL  
remove BENEFICIATION, adding this to p. 2 paragraph 2 but watch grammar. Dr. Davis did not develop the rock but instead the process. To me Beneficiation is not basic to this piece as are Statutory & Constitutional  
SEMI-TACONITE - similar to what?? A sentence seems to have fallen out of here. Maybe this is where Dr. Davis belongs??
- Page 2 - pp 3 - a flame over 4000 degrees Fahrenheit  
paragraph 4, line 2 - first word should be until. Last line should be "for shipping and for use in the blast furnaces."  
bottom of page add line - The modern blast furnace requires this high grade ore????
- Page 3 - pp 2 - add a bit about long term lease arrangement??  
pp 4 - line 2: "was the major world source of iron ore." add world??  
line 4: is this still true today or are only taconite plants paying now??  
footnote: add by whom and where to get it - LHV of Minn., date, address, price?
- Page 6 pp 2 line 6 add as so it reads: This is not as simple as a split along etc.
- Page 9 - move Constitutional Considerations to next page - perhaps do same with Tax Policy Considerations page before??
- Page 10 top - want to refer here to the other publication on the 6 taxes???
- Page 11 - this is the only suggestion of substance but I feel strongly about it. I think you should add a PRO paragraph between paragraphs one and two, something like:  
Proponents feel the overriding importance of this issue is not in the realm of Constitutional Considerations but rather in the realm of economics. They stress the unfair tax burden on iron mining in Minnesota today (p. 3 paragraph 3), the need to strengthen the economy of northern Minnesota and to revitalize one of Minnesota's foremost industries.

League members etc. - paragraph 3

I realize this is the kind of slogan stuff you are trying so hard to avoid. However, I feel that the first paragraph of this page is the essence of the CON argument. To me this last page feels like a summary of the whole and therefore the PROs deserve "equal time". Also under the Economic section you referred to the Constitutional argument; therefore, it seems only reasonable ~~to~~ under the Constitutional section to refer to the Economic argument.

Your committee will have a lively time over this and I will be glad to come and fight for my argument in person, if you wish. It's the only suggestion in the whole thing that I really feel strongly about.

-----

Please have your committee go over with a fine tooth comb my suggestions for LL use. I may very well have violated something basic; this is predominately Research and heaven knows I'm no resource person!

## Amendment Two

page 1 - line 4 - brought it to and supported it through

page 5 - line 2 - underline to?? have the power to otherwise the grammar is goofed up but if this is what the legislature did, so be it.

page 7 - add Pros and Cons??? No, but how about a statement to the effect that amendment two is not the lively issue which amendment 1 is. Since nothing will be changed, it comes down to a question of whether or not it's advisable to remove the "deadwood" from the Constitution and what, if any, effect this might have on increasing or decreasing the chances of major constitutional revision in the future.

I'm bothered about putting this into the discussion outline with nothing to refer to in the text. But how else could a Local League unit discuss it????? Help! Help!



## PROPOSED DISCUSSION OUTLINE ON AMENDMENTS

### AMENDMENT I

#### I. Goal of meeting (Discussion Leader)

To reach consensus on whether to support or oppose amendments I and II.  
An alternative of course is to neither support or oppose.

#### II. Introduction

A study of the Taconite Amendment is of great interest to all of us because of the heated controversy which has raged about taconite for so long. It is a problem which affects each of us because it affects the health and economy of our state. This study was undertaken because of our current agenda item, "The LNV of Minnesota will work for amendments to improve the state constitution."

The resource leader would then briefly explain the statute and the proposed amendment (p. 6 & 7). Then she might wish to do a brief taconite tax summary, perhaps using a chart from the bottom of page 5 and the top of page 6, stressing the occupation and royalty taxes, since these are the only ones which would be affected by the amendment. This is purely factual information, and you may at this point wish to refer to the natural ore tax policy (p. 3) and also to the publication, Minnesota Taxes Established by Constitutional Revision. Perhaps a brief word here, too, about the political background.

#### III. Discussion leader then takes over and makes sure all sides of the issue are brought out on the following main points:

##### (A) The economic considerations.

Provocative Question: If the Taconite Amendment is passed, and new taconite plants are built, what difference would it make to:

- (1) Statewide business climate?
- (2) The average taxpayer in Minnesota?
- (3) Unemployment on the iron range?

##### (B) Tax policy considerations.

Provocative Question: What difference would passage of the Taconite Amendment make in the local property taxes paid by the people living on the iron range?

How important do you think the "natural heritage doctrine" is in relation to the mining and taxing of taconite.

##### (C) Constitutional Considerations.

Provocative Question: How much weight do you think should be given the argument that the constitution should be a broad basic document?

#### IV. Summary

When you are convinced that all sides of the issues have been aired, attempt to seek an area of agreement. See section labelled BOTH AMENDMENTS.

### AMENDMENT II

Suggestions for discussion meetings:



The Resource Leader might briefly paraphrase the 8 suggested changes and mention that these present provisions are all obsolete - no policies or actions will be changed under the new wording.

Then your Discussion Leader might take over and say something like:  
Since nothing will be changed, it comes down to a question of whether or not it is advisable to remove the "deadwood" from the Constitution, and what, if any, effect this might have on increasing or decreasing the chances of major constitutional revision in the future. During the discussion, you may find concern expressed about the constitutionality of combining 8 changes under one amendment. At this point your Resource Leader will refer to the footnote on page 1. There may be concern about the reapportionment section of the vote for women's section; here again, your Resource Leader will come to your rescue. You as Discussion Leader will be seeking to evaluate whether or not there is any group feeling on the advisability of supporting or opposing this amendment.

BOTH AMENDMENTS

REPORT FORM

Unit # \_\_\_\_\_, LNV of \_\_\_\_\_ wishes to \_\_\_\_\_ Amendment #1.  
(your League) (support, oppose, take no stand)

WHY?

(use back of this page for full explanation)

Unit # \_\_\_\_\_, LNV of \_\_\_\_\_ wishes to \_\_\_\_\_ Amendment #2.  
(your League) (support, oppose, take no stand)

WHY?

(use other side)

Send your unit consensus to your local League Board which will send on to the state League the composite of thinking in your whole League. Report any areas of agreement, any significant minority and most important FILL IN THE WHY SECTION. Why did your unit wish to support or oppose this amendment? Why did your unit wish to take no stand? Was the discussion complete and thorough? Do the members feel strongly about this agreement? Or was it kind of casual? Or were you split down the middle? How about taking no stand - doing Voters Service instead? This information will be of great help to your local and state Boards in trying to plan your future in the 1964 amendment world, and we thank you in advance!!!

*Number of Meetings*

*What publications provided  
resource com.?  
every member?*



PROPOSED AMENDMENTS TO THE MINNESOTA CONSTITUTION - 1964  
AMENDMENT I

The 1963 Legislature passed a law (Minnesota Statutes 1963, Chapter 81) declaring its policy on the taxing of taconite and semi-taconite iron ores. It also passed a bill proposing an amendment to the state constitution which would prohibit the amendment, modification or repeal of this law for 25 years. This bill will appear as Amendment I on the November 1964 ballot.

If Amendment I should fail to be ratified by the voters, the statute would still remain in effect.

DEFINITIONS

**TACONITE** - The name given the original iron formation in Minnesota (erroneously supposed to have been of Taconic or Cambrian age). This information is a hard rock containing 20-30% iron in fine particles imbedded in the rock. One author describes Minnesota's iron formation as a loaf of raisin bread, the raisins representing pockets of high grade ore. The bread in the loaf would be the taconite. Minnesota's supply of taconite-bearing rock is so extensive that accurate estimates are difficult to make, but the State Division of Lands and Minerals calculates that we have 50 billion tons of taconite which can be concentrated by present methods.

**SEMI-TACONITE** - An intermediate quality iron ore which is processed in a manner similar to taconite.

Both of the above are legally defined in Minnesota Statutes 298.34-.39. The definitions, while quite technical, are sufficiently vague that some legal experts believe judicial review may be required to determine exactly what ore could be considered semi-taconite.

**NATURAL ORE** - An ore consisting of relatively large particles of iron imbedded in soft, earthy material. It can be upgraded by washing or crushing.

**BENEFICIATION** - The process of treating ore to separate the fine particles of iron from the rock (developed by Dr. E. W. Davis at the University of Minnesota).

HISTORY

Minnesota's first iron ore deposit of commercial quality was discovered in 1875 at the site of the present Soudan Mine on the Vermilion Range. The first ore was shipped out of that northern wilderness in 1884. Years of intensive mining on the Iron Range have depleted the basic ore formation by only 5%, but the cream of the ore is gone. The remaining basic iron formation, called taconite, is left.

For many years taconite was considered worthless. However, after lengthy experiment--primarily at the University of Minnesota--a commercial method to beneficiate the ore was developed. As natural ores have been depleted, taconite has become increasingly important to the economic well-being of the Iron Range.

The hard black taconite pellets are the result of a multi-step process which begins in the open pit mine. A jet piercing machine using oxygen and kerosene to create a flame over 4000 degrees Fahrenheit bores a hole 40 feet deep in the flint hard rock. A charge of dynamite blasts loose the rock, which is hauled by truck or rail to mammoth crushing machines where the rock is crushed in four stages into pieces smaller than 3/4 inch.



Water is added, and the rock is ground between tumbling steel rods and balls until it becomes a talcum powder-like sand. Particles containing iron are magnetically separated from the waste sand, a step which is repeated until the ore is sufficiently concentrated to be used in blast furnaces. Filters then remove most of the water from the concentrate, which has the consistency of a heavy, black mud, and the concentrate is rolled into small balls called green pellets. After baking in furnaces which generate temperatures up to 2400 degrees Fahrenheit, the hard pellets are suitable for shipping and for use in the blast furnaces.

This process begins with three tons of crude ore and results in two tons of waste sand and one ton of pellets. These pellets contain about 62.5% iron and 8% silica. The average content of natural Minnesota ore in 1959 was 51.5% iron and 8.9% silica. According to Fred Defancy, Head Metallurgist for Pickands Mather and Company, pelletizing increases the efficiency of blast furnaces about 50%.

## TAXES

### Natural Ore Policy

Through the years Minnesota developed a special formula for the taxation of natural ore. Years of controversy resulted in the passage in 1922 of the Iron Ore Occupation Tax Amendment which still governs taxation of ore.<sup>1</sup> The Occupation Tax is levied on the value of the ore at the mine after deductions have been made for the costs of mining. It therefore combines some of the features of an income tax with those of a production tax. Because mining companies pay this tax, they do not pay Minnesota Corporation Income Taxes, but taxes paid under the Occupation Tax are substantially higher than they would be if the companies paid state income taxes.

Besides the Occupation Tax mining companies pay Royalty Taxes--a tax on the fees they pay for leasing mineral lands they do not own.

Mining companies also pay local property taxes. The determination of property taxes for mining operations presents special difficulties in terms of evaluation and assessment because the property includes both the mine buildings and equipment and the reserves of unmined ore. It is generally agreed that iron operations are assessed by municipalities at a higher rate than other property.

Minnesota's iron ore tax policy was developed during the years when the state was the major source of iron ore. When iron ore customers had no place else to go for ore, the state could tax producers at a higher level than other industry. This led to the situation today where iron ore companies pay state taxes about three times higher on natural ore operations than the state income taxes paid by other kinds of businesses in Minnesota.

In recent years Minnesota's position as an iron ore producer has changed radically. Because iron ore of superior quality and structure is available from dozens of different sources, Minnesota is no longer the major supplier of our nation's iron ore.

### Taconite Tonnage Tax

In 1941 the legislature passed the Taconite Tax Law to encourage construction of large plants necessary to process the iron-bearing rock. This law provides that all plants, equipment and active taconite mines are subject to a tonnage tax rate IN LIEU of local and state property taxes. The tonnage tax rate is 5 cents per ton of taconite concentrate produced with an iron content of 55% or below. One-tenth of one cent is added for each one percent of iron content above 55%. Thus a ton of taconite containing 60 percent iron would pay a tax of 5.5 cents. A nominal state tax on reserve property not presently in use is also charged.

1. See Minnesota's Constitutional Taxes, LWV of Minn., 1963, for full explanation of Iron Ore Occupation Tax.

The Taconite Tonnage Tax is distributed to the various districts where the mining and concentration operations are conducted or the taconite lands are located, as follows:

22% to the city, village or town  
 50% to the school district  
 22% to the county  
 6% to the state

This provides a degree of compensation for the loss of local property taxes.

Special local taxes are paid by the taconite facilities now in operation under special acts of the legislature for such items as payment of bonds or Certificates of Indebtedness issued by the local school districts, and for certain village improvements, such as sewage and water facilities. In addition to the costs imposed by these special taxes, Reserve Mining Company and Erie Mining Company have paid voluntarily the full original costs of streets and alleys in Hoyt Lakes, Babbitt and Silver Bay.

#### Taconite Occupation Tax

An Occupation Tax is also paid on taconite, but the rate is 12% instead of the 14.25% on natural iron ore. Deductions from the Occupation Tax for mines with high labor costs are allowed in the form of labor credits. For natural ore the credit has not been large. In 1960 it amounted to 0.67%; leading to an effective tax rate of 13.58%. For taconite, the occupation tax can be reduced by labor credits to 3.75%, which is favorable for the industry.

A portion of the Occupation Tax (25% of the total, not to exceed 5 cents per ton) is returned to the various local governments as follows:

25% to the city, village or town  
 50% to the school districts  
 25% to the county

#### Taconite Royalty Tax

All royalties paid by mining companies to the owners of ore-bearing property are subject to a Royalty Tax. In the case of taconite, the Royalty Tax is computed on the value of the pelletized ore. In 1959 the legislature granted that the same labor credits that apply to the Occupation Tax also apply to the Royalty Tax.

Generally, mining leases require that all taxes are to be paid by the mine operator. This makes the Royalty Tax a tax on the mining company and not the land owner.

#### Taconite Railroad Tax

Because the different operations (mines, crushing plants and pelletizing plants) are often far apart, taconite companies need inter-plant railroads of considerable length. Both Reserve Mining Company and Erie Mining Company have over 70 miles of such track.

The Taconite Railroad Tax law made these railroads subject to the same tax as the common carrier railroads in the state. The Taconite Railroad Tax is distributed to the state and local communities in which the railroads are operated in lieu of property taxes. This tax is computed at 5% of an imaginary gross earnings, which is figured by multiplying the tons of taconite concentrate shipped times the regular shipping rate which would be paid to commercial carrier railroads. In other words, the taconite companies are taxed on their own railroad operations as though they were being hired to haul the ore.



## TACONITE TAX SUMMARY

The taconite industry is subject to four state taxes:

1. Taconite tonnage Tax (5 cents per ton base)
2. Taconite Occupation Tax (12% minus labor credits)
3. Taconite Royalty Tax (12% minus labor credits)
4. Taconite Railroad Tax (5% of gross earnings)

The 1961 revenues from these taxes were:

1. Taconite Tonnage Tax	\$766,243
2. Taconite Occupation Tax	897,507
3. Taconite Royalty Tax	265,286
4. Taconite Railroad Tax	<u>977,795</u>
Total State Revenue	\$2,906,831

The 1961 tax per ton of taconite was:

1. Taconite Tonnage Tax	6.17¢
2. Taconite Occupation Tax	7.22¢
3. Taconite Royalty Tax	2.14¢
4. Taconite Railroad Tax	<u>7.87¢</u>
Total State Tax per ton	23.4¢

The average total of state and local taxes on a ton of natural ore was \$1.47 in 1959.

## POLITICAL BACKGROUND

Politically the taxing of taconite has been a controversial issue. Both political parties support continuing development of the industry, but have differed in methods of encouragement. The state Republican party has for some time approved giving constitutional guarantees. Traditionally, the Democratic-Farmer-Labor party has opposed constitutional amendment, although it did not oppose statutory concessions. This is not as simple a split along party lines as it would appear. Proponents and opponents crossed party lines depending on many factors, such as occupation, governmental philosophy or geographical location. In February of 1963 the United Steelworkers' Union, a powerful long-time foe, gave its approval to a self-limiting amendment, and the statute and proposed amendment were passed by the legislature in March with little debate. In May the DFL State Convention, after much discussion, passed a resolution to support the amendment, provided steel companies remain firm and unequivocal in their promises of plant construction. This action removed the most vocal opposition to the amendment.

## THE STATUTE AND THE AMENDMENT

The statute--Chapter 81, Laws of Minnesota, 1963--states in brief:

1. The combined occupation, royalty, and excise taxes to be paid by taconite or semi-taconite corporations shall not exceed the greater of (a) the amount computed under present (1963) law or (b) the amount which would be payable under laws applicable to manufacturing corporations as such laws may be amended from time to time.

In other words, the taconite industry is to be taxed as it is presently, or in the event that the general level of corporation income taxes rise, taconite corporations are to be given the same treatment as all other manufacturing corporations.



2. Income from the tax shall be apportioned as specified by law.
3. Taxes imposed in lieu of real or personal property, the Tonnage Tax and the Taconite Railroad Tax, shall not be considered to be within the meaning of this statute.
4. Taconite and semi-taconite shall have the meaning as defined in Minnesota Statutes 298.34-.39.

The amendment prohibits the amendment, modification or repeal of Chapter 81 for 25 years. It also authorizes the legislature to impose limitations on the taxes to be applied to copper, copper-nickel or nickel for a period of 25 years.

## THE ISSUES

### Economic Considerations

Supporters of the amendment feel that its passage will open the way for new and additional investments in Minnesota taconite, adding to the \$600 million already invested and to the more than 5,000 jobs which have already been provided in Minnesota's three existing taconite plants.

Two more taconite plants are being planned for Minnesota now. Proponents say the new year-round jobs they will create and the millions of dollars they will pump into the state's economic bloodstream hinge on passage of the amendment. The entire state, not just northeastern Minnesota, will benefit from passage of the taconite amendment, since the resulting new investment, payrolls and purchases will contribute to a healthy, stable state economy and declining relief rolls.

Opponents deny this. They believe that the industry has already examined the economic factors, such as market demands, transportation costs, market locations, labor costs, raw material reserves and current tax structure and publicly announced plans for construction of taconite plants. They believe that, in light of increased automation, the number of jobs will not be sufficient to justify putting faulty policy into the constitution.

Proponents of the amendment admit that the tax rate is very favorable today because of labor credit deductions, but they assert that as production costs are reduced, by automation and improved methods, the cost of labor will decrease, credits will become smaller, and the Occupation Tax rate may rise to the maximum 12%.

Opponents feel a major argument for the amendment and certainly a factor in the Steelworker's change of attitude, the "creation of jobs on the Iron Range," loses some of its salience if tax rates must not be increased because lower labor costs (or less jobs) will mean, in effect, a higher tax.

Advocates point out that Minnesota is attempting to compete in the iron ore market, and even its taconite plants are experiencing fierce competition today. Huge taconite plants have been and are being built in other states and nations. More will be built - somewhere. Minnesota wants those uncommitted projects to be located here and is competing for hundreds of millions of dollars of investment in new and expanded taconite facilities. But investors--insurance companies, steel companies, investment bankers--are reluctant to invest further in Minnesota taconite projects because there is no assurance that Minnesota will not shift the iron ore tax burden from natural iron ores over to taconite operations once the taconite plants have been built. The importance of the amendment as a symbol of a new and favorable tax climate for investors should not be underestimated.

Opponents of the amendment say that the tax revenue lost by continuing a low tax rate after the industry is established will have to come from non-mineral sources. If individual and corporation income taxes, statewide property taxes and excise taxes cannot bear this load, cutbacks in education and other state programs would be necessary. They feel it is unwise to extend to a mature industry, concessions provided in its infancy.

Regardless of taconite revenues, the state income ~~tax~~ from taxes on natural iron ores will decrease in the ~~future~~ future because of substantial depletion of high grade ores ~~free during~~ during the next 5 to 7 years.

### Tax Policy Considerations

Because of the complexity of the specific taxes, it may be wise to review the statute and amendment to show exactly how they will affect the state policy on taconite.

First, the Taconite Tonnage Tax would not be affected by the amendment because it is a tax in lieu of state and local property taxes. This protection afforded the industry from high local property taxes by the 1941 Taconite Law would continue to be statutory. Also unaffected by the amendment would be Taconite Railroad Tax which falls under the constitutional provision for a 5% railroad gross earnings tax in lieu of property taxes.

The Taconite Occupation Tax and Taconite Royalty Tax, both levied on the value of the ore, are included in the provisions of the statute and amendment. The 12% base would be frozen for 25 years. The methods of computing labor credits would also remain unchanged, but since variable factors are involved in these formulas, the actual amount of labor credit could vary from year to year.

The proposed amendment will not lower present taxes on taconite. It provides that those taxes can be raised when and if taconite companies would pay higher taxes under the state corporate income tax laws than they do under the Occupation and Royalty tax.

Opponents of the amendment point out that mining companies have been assessed extra taxes since 1921, and this amendment would reverse a 42-year policy that these extra ~~tax~~ taxes have been justified under the natural heritage doctrine. That is, mining removes from the state an irreplaceable natural resource, and an industry ~~that~~ which exhausts a resource should pay more taxes than one, e.g., a manufacturing plant, which does not.

Advocates of the amendment feel that taconite should not be considered under the natural heritage theory since it is actually a manufactured ore. Some tax experts feel that because the taconite industry is characterized by its processing facilities, it should be considered a manufacturing rather than a mining industry.

### Constitutional Considerations

Although constitutional authorities are unanimous in stating that special tax laws do not belong in a constitution, all the states have such provisions and many are ~~a~~ continuing to add them. The Minnesota constitution already contains six special taxes:

1. Railroad Gross Earnings Tax
2. Iron Ore Occupation Tax
3. Gasoline Tax for Highway and Airplane Use
4. Tax on Timber Yield
5. Motor Vehicle Tax
6. Air Carriers Flight Property Tax



The six existing provisions all create a tax and most of them specify the funds which will receive the revenues. Only the Railroad Gross Earnings Tax specifies the amount of the tax (5%). The others leave the details of rates and qualifications to be determined by statute, giving them a degree of flexibility. Even the 5% Gross Earnings Tax rate has not prevented the railroads from receiving an additional statutory assessment.

The Taconite Amendment would ~~chiefly~~ differ chiefly from these provisions in two ways:

1. It imposes a restriction on statutory policy, limiting application of a tax (Iron Ore Occupation) rather than setting up a new tax.
2. It is self-limiting to 25 years.

Although it is always possible to delete or change a constitutional provision by amendment, League studies show that once these taxes become part of the constitution, they stay there.

Some workers for constitutional reform feel that, in the past, the chief opposition to comprehensive revision has come from groups who, because of these special taxes, have a vested interest in the constitution. They fear that adding the taconite industry to this list would be adding another foe to constitutional revision.

Advocates of the amendment point to the 25-year year limit as a safeguard. They also feel that a constitutional cure should be sought to correct a constitutional inequity. Because the constitution was amended in 1922 to provide for the special state taxes on iron ore mining (which today includes the new taconite industry), it is now proper to amend ~~it~~ it to assure that those taxes on taconite won't be unfairly increased in comparison with the state taxes on other industries.

Opponents feel that writing statutory tax law into the constitution is inconsistent with the principle that constitutions should contain only fundamentals. Minnesota's constitution contains a warning about the temptation to ~~yet~~ yield taxing power to obtain what looks like an economic advantage. "The power of taxation shall never be surrendered, suspended or contracted away." (Article IX, Section 1.) Opponents think the tax amendment does just that. ~~They~~ They also believe it denies the prerogative of future legislatures to authorize taxation based on changing economic factors and technological advances.

League members, after careful study and free discussion, will attempt to come to consensus regarding this amendment on the same basis as they have evaluated others. The Taconite Amendment has been the subject of heated controversy for years and will require careful, objective study.



## AMENDMENT II

The second of the two amendments to be voted on at the November 1964 election would remove from the state constitution eight sections which are considered obsolete.

## BACKGROUND

This amendment originated with the Minnesota State Bar Association which brought it to and supported it through the last legislative session. The bill proposing the amendment (S.F. 222) was the work of a Bar Association constitutional revision committee which tried to limit its proposal to noncontroversial obsolescences.

Although the Bar Association's bill called for eight separate amendments, the measure was changed by the legislature to a single amendment with eight sections.<sup>2</sup> Taconite-amendment supporters particularly were anxious that the election ballot not be cluttered with a number of proposals.

Organization support of the amendment, at this early date, is limited to the Bar Association. Thus far no group has taken action to oppose the amendment.

## THE AMENDMENT

The eight provisions considered to be obsolete either because of the passage of time, the lack of use or the supersession of later or higher laws are listed below/.

## 1

The first alteration affects Article IV, Section 2, dealing with the legislature and apportionment. It calls for removal of the words "exclusive of Indians not taxable under the provisions of law" used in reference to the minimum number of inhabitants which each legislator may represent (5,000 for Senate, 2,000 for House). This provision has been made obsolete by the facts that Indians as a class no longer are "not taxable" and that Indians are included in census figures determining the size of a legislator's district.

This deletion also was recommended by the 1947 Constitutional Commission of Minnesota (hereafter referred to as MCC) "upon the assumption that it serves no purpose and is no longer necessary." Other obsolete references to Indians, superseded by the fifteenth amendment to the U. S. Constitution, were removed from the constitution by a 1960 amendment.

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~~=====~~ The second alteration

2. There was some question during the session whether a single amendment would be consistent with the constitutional requirement "if ~~if~~ two or more alterations or amendments shall be submitted at the same time, it shall be so regulated that the voters shall vote for or against each separately." Legislative choice of a single amendment was based on a Minnesota Supreme Court decision, in the case of Peter Fugina v. Joseph Donovan, relative to a 1960 amendment. The amendment, which the court approved but the voters later failed to pass, proposed 1) extension of the legislative session, 2) that legislators be allowed to seek other office and 3) new bills introduced after the 70th day of the session be authorized by the legislature. The court said then, in reference to a 1932 decision, "The ... view, adopted by this court in Winget v. Holm ... is that propositions that might be submitted separately may be submitted in a single proposal if they are rationally related to a single purpose, plan, or subject." (259 Minn. 35)

The legislature construed the eight sections to be one subject, the subject being obsolete material.

## (2)

The second alteration is proposed for Section 7 of Article IV which concerns legislative compensation. In the sentence "The compensation of senators and representatives shall (be three dollars per diem during the first session but may afterwards) be prescribed by law," the words which are enclosed in parentheses would be removed. Also recommended for deletion by the MCC, this phrase no longer is necessary since it ~~refers~~ refers only to the first legislative session.

## (3)

The third change, again in Article IV, is to be made in Section 23 which refers to a state census. The legislature has not called for a state census since 1905, relying instead on federal census figures for apportionment of legislative and congressional districts. This amendment will make state census enumeration permissive rather than mandatory. The alteration is quoted below with new words underlined and deletions in parentheses.

(CENSUS ENUMERATION; APPORTIONMENT.) "Sec. 23. The legislature shall have the power to provide by law for an enumeration of the inhabitants of this State (in the year one thousand eight hundred and sixty-five, and every tenth year thereafter. At their first session after each enumeration so made) and also have the power at their first session after each enumeration of the inhabitants of this state made by the authority of the United States, (the legislature shall have the power) to prescribe the bounds of congressional, senatorial and representative districts, and to apportion anew the senators and representatives among the several districts according to the provisions of section second of this article."

The MCC recommended a different treatment of this obsolescence, but the effect of this proposal and the MCC recommendation is the same; i.e., state census taking shall be permissive.

While this provision is more unenforced or ignored than obsolete, it must be pointed out that there never has been strong criticism of the legislature's overlooking the state census. Former University of Minnesota professor William Anderson, in his still invaluable 1927 Minnesota Law Review Article "The Need for Constitutional Revision," wrote, "State censuses ~~we~~ never were highly accurate because of a failure to provide adequate funds and also because of the selection of the enumerators primarily on a political basis."

## (4)

The fourth part of this amendment would delete Section 26 of Article IV which calls for U.S. Senators to "be elected by the two houses of the legislature in joint convention ..." This section was made obsolete by the 17th amendment to the U. S. Constitution which says, in part, "The Senate of the United States shall be composed of two Senators from each State elected by the people, thereof ..." The MCC also recommended deletion of this section.

## (5)

The fifth change, the last in Article IV, is in Section 32(b) which deals with the Internal Improvement Land Fund. The Internal Improvement Land Fund was established by an 1872 constitutional amendment (Section 32 b) to receive the proceeds from the sale of 500,000 acres of land granted to the State of Minnesota by the federal government for the purpose of internal improvement.



The proposed amendment would delete from Section 32(b) the following words:

to

"The moneys<sup>3</sup> belonging ~~to~~ the Internal Improvement Land Fund shall not be appropriated for any purpose whatever until the enactment for that purpose shall have been approved by a majority of the electors of the State voting at the annual general election following the passage of the act."

Deletion of this paragraph would appear to free the legislature to appropriate the principal of the Internal Improvement Land Fund as it chooses. It should be pointed out, however, that remaining in Section 32(b) is this sentence: "All moneys derived from the sales of said lands shall be invested in the bonds of the United States, or of the State of Minnesota issued since 1860; and the moneys so invested shall constitute the Internal Improvement Land Fund of the State." This would seem to be adequate safeguard that the fund will remain until the voters approve a change.

It also should be noted that the interest from the Internal Improvement fund has been constitutionally dedicated to some sort of highway or road and bridge fund since 1898. At present Article XVI, Section 7, dedicates to the county state-aid highway fund "all moneys<sup>4</sup> accruing from the income derived from investments in the internal improvement land fund."

The words to be deleted are considered obsolete because they were inserted into the constitution for a specific purpose and that purpose has been achieved. This paragraph was included so that the internal improvement fund could not be used to pay off the Minnesota Railroad Bonds without an election of the people. That election was held in 1882.<sup>5</sup> A brief history might be helpful to an understanding of this situation.

In 1866, a previously overlooked federal land grant was discovered. The discovery came at a time when state officials were looking for a way to redeem the 1858 railroad bonds which the state had issued to finance much-needed railroad development. Before the bonds were issued, voters had been unwisely assured by many leaders that the state could back the bonds with its "credit" and that such credit would never involve actual money.

When the railroads defaulted on payments, largely due to an economic downturn, many responsible leaders felt that the state was obligated to redeem the bonds and many also felt that the federal lands should be used for this purpose. But a majority of the voters did not agree.

Two attempts to get voter approval to sell the federally granted lands failed to pass because voters wanted to be certain that the proceeds would not be used to honor the bonds. The paragraph now to be deleted, which required voter approval before the internal improvement fund could be appropriated was the key to passage of the present section 32(b) in 1872.

In 1881, the Minnesota Supreme Court indicated that it felt the bonds were state obligations and would have to be paid. Rather than be taxed, the voters ratified a bill providing for payment of the bonds from the Internal Improvement Fund. The railroad bonds reduced the fund by \$2,628,000.

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3. Moneys refers to principal

4. Moneys refers to interest

5. The 1904/1964 amendment refers to this election as being in 1884. William Watts Folwell in his History of Minnesota indicates it was held in 1882.



Today the fund amounts to about \$419,000. It grows about \$3,000 to \$5,000 a year. The interest, dedicated by constitutional amendment to the county state-aid fund, amounts to about \$12,000 per year.

The MCC recommended deletion of the entire Section 32(b) and consolidation of the internal improvement fund provision with the provisions on the other state trust funds. Its proposal provided that the net proceeds, i.e., the sum remaining after deduction of costs of administration, remain a "perpetual trust" fund and that the interest on the fund be appropriated "as provided by law."

## (6)

The sixth proposed change, this time in Article V, Section 4, would remove from a statement of gubernatorial appointive powers the office of state law librarian. The Judiciary Amendment adopted in November, 1956 gave the power of appointing the law librarian to the Supreme Court (see Section 2 of Article VI) as had been recommended by the MCC.

## (7)

Change seven would remove from the constitution Section 8 of Article VII which limits women's suffrage to school and library elections. This provision was superseded by amendment 19 of the U. S. Constitution which says, in part, "The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of sex." Section 8, which usually is omitted from printed text of the state constitution, now reads:

"Sec. 8. Women may vote for school officers, and members of library boards, and shall be eligible to hold any office pertaining to the management of schools or libraries. Any woman of the age of twenty-one (21) years and upward, and possessing the qualifications requisite to a male vote, may vote at any election held for the purpose of choosing any officer of schools, or any members of library boards, or upon any measure relating to schools or libraries, and shall be eligible to hold any office pertaining to the management of schools and libraries."

The MCC also recommended this deletion.

## (8)

The eighth and last part of this amendment affects Article VII, Section 9, dealing with the official state year. The amendment proposes deletion of references to elections of 1884, 1886, and expiration of terms in 1887. A similar change was proposed by the MCC.

The section, showing deletions in parentheses and new words underlined, is quoted below.

/OFFICIAL YEAR OF THE STATE/ "Sec. 9. The official year for the State of Minnesota shall commence on the first Monday in January in each year, and all terms of office shall terminate at that time; and the general election shall be held on the first Tuesday after the first Monday in November. (The first general election for State and county officers, except judicial officers, after the adoption of this amendment, shall be held in the year A.D. one thousand eight hundred and eighty-four /1884/, and thereafter) The general election shall be held biennially in each even numbered year. (All state, county or other officers elected at any general election, whose terms of office would otherwise expire on the first Monday of January, A.D. one thousand eight hundred and eighty-six /1886/, shall hold and continue ~~to~~ in such offices, respectively, until the first Monday in January, one thousand eight hundred and eighty-seven /1887/.)

LWV of Minnesota, State Organization Service, University of Minn., Minneapolis, Minn.  
February 1964

55455

TO:

FROM: League of Women Voters of Minnesota  
Mrs. William Whiting, President

Next November you will be expected to vote on the two amendments to our state constitution - the taconite amendment and the obsolete provisions amendment.

To help you cast an informed vote we are enclosing a copy of the latest publication prepared for the members of the League of Women Voters of Minnesota on these two ballot issues. This information is basic to the issues, states pertinent facts and gives the pros and cons so that you will have accurate information on which to base your judgment of these amendments.

We have a limited supply of this publication for sale at 10¢ a copy through our state office.

Congress of the United States  
House of Representatives  
Washington, D. C.

MAR 16 1964

March 11, 1964

Mrs. William Whiting, President  
League of Women Voters of Minnesota  
State Organization Service'  
University of Minnesota  
Minneapolis, Minnesota 55455

Dear Mrs. Whiting:

I have received the pamphlet entitled "Proposed  
Amendments to the Minnesota Constitution - 1964".

I want to commend you on an excellent job.  
I have read over the provisions that deal  
particularly with the Taconite Amendment.  
I am quite familiar with this, having followed  
it in the legislature and having been involved  
in some of the controversy concerning the  
question of opposition or support to it.

I believe that the League has performed an  
outstanding service by bringing a very compre-  
hensive and accurate statement about the problem  
into this form.

With best wishes.

Sincerely,



Donald M. Fraser



JOSEPH E. KARTH  
4TH DISTRICT, MINNESOTA

MAR 9 1964

COMMITTEE ON  
SCIENCE AND ASTRONAUTICS

426 HOUSE OFFICE BUILDING  
CAPITOL 4-3121, EXT. 6631

CHAIRMAN, SUBCOMMITTEE ON  
SPACE SCIENCES AND  
ADVANCED RESEARCH  
AND TECHNOLOGY

**Congress of the United States**  
**House of Representatives**  
**Washington, D. C.**

March 3, 1964

Mrs. William Whiting, President  
League of Women Voters of Minnesota  
State Organization Service  
University of Minnesota  
Minneapolis, Minnesota 55455

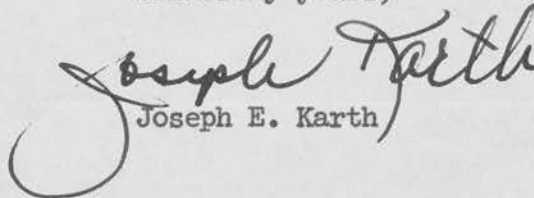
Dear Mrs. Whiting:

Thank you for sending me a copy of your latest publication prepared for the members of the League of Women Voters of Minnesota.

I always appreciate learning of the peoples' interest in good government, and no one's record is more eminent in this regard than that of the League of Women Voters.

Thanks again, and with best wishes, I am

Sincerely yours,

  
Joseph E. Karth

JEK:sd

14 copies  
APR 15 1964

Background for Boarders: Why the League supports Amendment I

As leaguers you will be questioned most often on the constitutional aspects of Amendment I. Don't try to argue it improves the constitution. It doesn't. We felt economic considerations outweighed the constitutional considerations. It is acceptable from a constitutional standpoint because:

It is self-limiting and will expire in 25 years

There is historical precedent for including iron ore taxes in the constitution: It is a constitutional remedy for a constitutional inequity.

It gives a degree of flexibility in that the legislature has a choice between the occupation tax and the corporation income tax.

Senator Mosier's arguments center on the "notwithstanding other provisions" phrase ~~by the~~ and the fact that this means we are voting on more than one article at once. This is weak; all amendments by their very nature repeal, or may repeal other sections. All the special taxes do limit the legislature powers of taxation.

From an economic standpoint will the taconite amendment do all its support's claim? We don't know but we felt it was a step in the right direction.

It will improve the tax climate and make it more attractive for Eastern investment.

US Steel has promised a plant here if the amendment is passed

New plants will create jobs, alleviating poverty and hopelessness on the range and reducing the welfare burden to the state as a whole

The range is a depressed area: it needs our help

How about taxes?

It does not lower taxes, it does not freeze taxes, it simply guarantees that taxes will not be more than are paid by other manufacturing corporations.

It does not ~~refer~~ to the tonnage tax or other taxes in lieu of the property tax.

So far Mr. Horn's material has emphasized other "breaks" given Taconite in terms of leases of state land and powers of eminent domain. He argues that the treatment given taconite has already been "Too generous" We are not voting on any of these things.

Will mining ~~lay~~ waste our beautiful north woods? Obviously with the amount of ore that is going to be removed there are going to be some changes made in the landscape. Again, the Taconite Amendment does not affect future legislation in the field of ~~land~~ conservation, and the natural resources committee has regarded the present taconite companies as very cooperative in terms of water pollution and so on. Preserving the range for vacation land will not provide year-round jobs the way taconite plants will.

League of Women Voters of Minnesota, State Organization Service, University of Minn.  
Minneapolis, Minnesota 55455

Release: April 10, 1964

Mrs. William Whiting, President  
622 East School, Owatonna

League announces stand on  
Taconite Amendment (No. 1)  
and on Amendment #2

Following intensive study of the complex problems surrounding the Taconite Amendment, the League of Women Voters of Minnesota will support passage of this amendment. The possible economic benefits to the depressed areas of northeastern Minnesota and ultimately to the state as a whole were primary reasons for the decision to support the amendment. These factors outweighed constitutional considerations.

The League of Women Voters of Minnesota strongly supports Amendment #2. This amendment would make several long-overdue improvements in the Constitution.

We will work actively for the passage of both of these amendments.



WHEELOCK WHITNEY  
110 SOUTH SIXTH STREET  
MINNEAPOLIS 2, MINNESOTA

April 24, 1964

Mrs. William Whiting  
Owatonna  
Minnesota

Dear Mrs. Whiting:

I am getting caught up on some back mail --- so this is somewhat out of date --- but just wanted you to know how happy I was to see that the Minnesota League of Women Voters decided to support and work for the Taconite Amendment.

It is doubtful that even the most ardent supporters of the Amendment (of which I am one) would allow that it is perfect, but there is no doubt in my mind but what the pluses far outweigh the minuses in what it can do for the state of Minnesota.

I am glad that your organization --- whose opinion means so much ---- has been willing to stand up and be counted on this important issue.

Sincerely,

*Wheelock Whitney*

Wheelock Whitney  
vak

April 22, 1964

Mr. Val Bjornson  
State Treasurer  
St. Paul, Minnesota

Dear Mr. Bjornson:

Thank you for your kind letter regarding the League's position in support of the taconite amendment. I appreciated being called "friend" and Bill thanks you for remembering him.

I was delighted with your report on your "oblique pitch" relating to our material on tax provisions in the constitution. Of course we like anything like this that seems to point out a certain prestige the League has developed over the years in our work on constitutional revision.

We plan to continue to promote our other publication, "Proposed Amendments to the Minnesota Constitution 1964" for we believe that although this was prepared as an unbiased study it serves a very real need. There are still many citizens who make their own decisions on issues after proper consideration of the facts -- hopefully this publication will help these voters decide in favor of both amendments.

Now the big decision has been made, we can lend our efforts to those already committed to the passage of the amendments.

Sincerely,

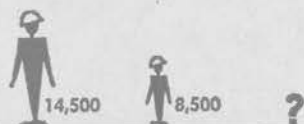
Mrs. William Whiting  
President

AW:rw

**VOTE YES**

**TACONITE AMENDMENT #1**  
It's Vital to YOUR FUTURE

1952 1962 1972



natural ores



taconite

**Chairman Ex Officio**  
Governor Karl F. Rolvaag  
**Honorary Chairman**  
Dr. E. W. Davis  
**Chairman**  
Dr. Charles W. Mayo  
**Vice-Chairmen**  
Mr. Earl T. Bester,  
United Steelworkers of America  
Mrs. Scott Schoen  
**Executive Committee**  
Elmer L. Andersen, former Governor  
Val Bjornson, State Treasurer  
John A. Blatnik, Congressman, 8th District  
George A. Farr, DFL Chairman  
Robert A. Forsythe, GOP Chairman  
Robert E. Hess, AFL-CIO  
A. M. (Sandy) Keith, Lt. Gov.  
Walter F. Mondale, Attny. Gen.  
Ancher Nelsen, Congressman, 2nd District  
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Terminal Association  
Taconite Stamp Sub-committee  
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John S. Pillsbury, Jr., Co-Chairman  
**Organization Endorsements Committee Chairman**  
Oscar R. Knutson,  
Chief Justice of the Supreme Court  
**Information Committee Co-Chairmen**  
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Charles McGarragh  
Clarence Myers, President  
Minnesota Farm Bureau Federation  
Alan H. Moore  
Philip H. Nason  
William L. Nunn  
William B. Pearson, Master,  
State Grange of Minnesota  
Stephen T. Quigley,  
Commissioner of Administration  
Olin Ramsland  
Rt. Rev. Msgr. James P. Shannon

APR 9 1964

## Citizens' Committee

for the

# TACONITE AMENDMENT #1

735 500 Line Building • Minneapolis, Minnesota 55402 • Tel: (Area Code 612) 339-1429

Rita F. Shomesh, Executive Secretary

April 2, 1964

Mrs. E. C. Williams, Executive Secretary  
League of Women Voters of Minnesota  
Social Science Building  
University of Minnesota  
Minneapolis 14, Minnesota

My dear Mrs. Williams:

We are seeking your endorsement of the Taconite Amendment #1 which will be on the Ballot at the next general election on November 3rd.

As you are undoubtedly aware, a citizens' committee has been formed to help inform voters of the importance of this Amendment for the prosperity and welfare of all Minnesotans. The make-up of the committee is, in that sense, a non-partisan one with every effort made to stress the genuine breadth of the complete bi-partisan support for this Amendment. An explanation of the Amendment is enclosed.

The Taconite Amendment is a sound and sensible reform. It would establish a policy of not taxing the taconite and semi-taconite industry more heavily than other Minnesota corporations. It would guarantee for 25 years a tax equality to the taconite industry.

If we are to utilize our natural resources to their best advantage and compete favorably with the taconite industry in the United States and Canada, if we are to keep our economy sound and provide jobs for those in the mining industry - especially in northeastern Minnesota, then it is essential to pass this Amendment.

We urge the League of Women Voters of Minnesota to join in this broadly based effort, to adopt a resolution in terms similar to these explained in the specimen herewith, and to overcome what will be our greatest obstacle - general apathy of uninformed voters. Amendments need a majority of all votes cast in the general election - not on the amendment itself. It is the responsibility of all leading citizens of Minnesota to assure the passage of this important amendment to our state constitution.

See Reverse Side for Organizations Endorsing Taconite Amendment #1



## ORGANIZATIONS ENDORSING THE TACONITE AMENDMENT #1

(as of March, 1964)

DFL PARTY OF MINNESOTA	DULUTH CHAMBER OF COMMERCE
REPUBLICAN PARTY OF MINNESOTA	ENGINEERS CLUB OF NORTHERN MINNESOTA
MINNESOTA AFL-CIO	EVELETH CHAMBER OF COMMERCE
MINNESOTA ARROWHEAD	GRAND RAPIDS CHAMBER OF COMMERCE
MINNESOTA BAR ASSOCIATION	HIBBING CHAMBER OF COMMERCE
MINNESOTA BROADCASTERS ASSOCIATION	HIBBING LIONS CLUB
MINNESOTA FARM BUREAU FEDERATION	KEEWATIN CHAMBER OF COMMERCE
MINNESOTA FEDERATION OF WOMEN'S CLUBS	KIWANIS CLUB OF ELY
MINNESOTA INDEPENDENT INSURANCE AGENTS	LIONS CLUB OF LAKE CRYSTAL
MINNESOTA LEAGUE OF MUNICIPALITIES	LITTLE FALLS CHAMBER OF COMMERCE
MINNESOTA MOTEL ASSOCIATION	MINNEAPOLIS CHAMBER OF COMMERCE
MINNESOTA NEWSPAPER ASSOCIATION	MORRIS CHAMBER OF COMMERCE
MINNESOTA SCHOOL BOARDS ASSOCIATION	NEW ULM CHAMBER OF COMMERCE
MINNESOTA STATE ASSOCIATION OF HEALTH UNDERWRITERS	RANGE COUNTY BANKERS ASSOCIATION
MINNESOTA WELFARE CONFERENCE	RED WING AREA CHAMBER OF COMMERCE
STATE GRANGE OF MINNESOTA	ROTARY CLUB OF VIRGINIA
STEELWORKERS UNION OF AMERICA, DIST. 33	RUSH CITY COMMERCIAL CLUB
8TH DISTRICT AMERICAN LEGION, BUHL	ST. CLOUD CHAMBER OF COMMERCE
8TH DISTRICT AMERICAN LEGION, VIRGINIA	ST. LOUIS COUNTY CLUB
BENSON CHAMBER OF COMMERCE	ST. LOUIS PARK CHAMBER OF COMMERCE
BLOOMINGTON CHAMBER OF COMMERCE	ST. PAUL AREA CHAMBER OF COMMERCE
BOARD OF COUNTY COMMISSIONERS, ST. LOUIS COUNTY	STEWARTVILLE CHAMBER OF COMMERCE
DULUTH BUILDERS EXCHANGE	VIRGINIA CHAMBER OF COMMERCE
	WEST ST. PAUL CHAMBER OF COMMERCE
	WINONA CHAMBER OF COMMERCE

Mrs. Williams

-2-

April 2, 1964

Thank you for your help.

Sincerely yours,

*C. W. Mayo*  
Charles W. Mayo  
Chairman

CWM/sdp

P.S. We note that you will have a meeting scheduled on May 20-21. Would it be possible to schedule a speaker for 5 or 10 minutes on behalf of the Taconite Amendment? Please call our headquarters if this can be arranged. Thank you.

CITIZENS' COMMITTEE FOR THE TACONITE AMENDMENT #1  
735 Soo Line Building, Minneapolis, Minnesota 55402  
Telephone: 339-1429

QUESTIONS AND ANSWERS ON THE TACONITE AMENDMENT #1

1. WHAT IS TACONITE?

Taconite is the name given the basic Mesabi iron formation in Minnesota. The formation is a flint hard rock containing 20-30% iron in fine particles imbedded in rock. The Division of Lands and Minerals calculates that we have an excess of 60 billion tons of taconite which can be concentrated by present methods. This is a staggering figure comparing it with the total of 2.5 billion tons of natural iron ore that has been mined in Minnesota up to the present!

2. WHAT ARE THE PROVISIONS OF THE TACONITE AMENDMENT #1?

The proposed constitutional amendment provides that a law (Minnesota Statutes, 1963, Ch. 81) stating Minnesota's policy regarding taxation of taconite mining companies will not be "repealed, modified, or amended" for twenty-five years. The statute establishes a state policy of not taxing the taconite and semi-taconite mining industry more heavily than other Minnesota corporations. It is not a tax cut, nor a tax freeze; and it does not establish a ceiling on taxes levied against taconite mining companies. The law provides that taxes for taconite and semi-taconite will not be increased unless the amount that the mining companies would pay if they were taxed under the corporation income tax law were to go up. That is, if the tax on other manufacturing industries is raised up to, and above, the level of taxes now paid by the taconite mining industry, the taxes on taconite mining could also be raised apace. It is important to remember that the amendment does not limit the so-called "taconite tax" of 6¢ per ton. Nor does it affect the taconite railroad taxes and various local taxes paid by taconite companies.

3. HOW ARE TACONITE PELLETS MADE AND WHY ARE THEY IMPORTANT?

To make taconite pellets, the taconite rock must be crushed and ground to a fine flour-like powder. The fine particles of iron ore are separated from the waste rock by magnetic separators. Following the magnetic separation, the iron concentrate is fed in balling drums where the pellets are formed. The last step in the process is to harden the pellets in large furnaces so that they will not break in shipment.

Taconite pellets are in great demand by steel makers because they contain high iron content and the little round porous ball increases the efficiency of the blast furnaces. The use of pellets makes one blast furnace do the work of two furnaces using natural iron ore.

4. WHY IS THERE A NEED FOR THE TACONITE AMENDMENT #1 AND HOW IS IT IMPORTANT TO THE PEOPLE OF MINNESOTA?

Northeastern Minnesota is a distressed area. People are out of jobs, many are on relief! This is a financial burden to every tax-payer in Minnesota. In ten years natural iron ore mining will be virtually ended! We must encourage the utilization of our abundance of taconite by attracting taconite plants that would create jobs and prosperity. Taconite mining is like a manufacturing operation. The plants must be operated 24 hours a day, 52 weeks a year to remain profitable. This industry creates year-round employment whereas natural iron mining was seasonal. Taconite production will add stability to the economy, create year-round jobs, and give a sharp boost to the depressed economy of northeastern Minnesota.

Without the 25-year guarantee of equitable taxation protected by a constitutional amendment, Minnesota will not be able to attract its fair share of future taconite plants. These plants cost many millions of dollars (Reserve Mining Co. spent 310 million dollars on its plant and mine), and the owners and investors must know that the plant will be profitable for its expected life, otherwise they will build elsewhere. "The importance of the amendment as a symbol of a new and favorable tax climate cannot be underestimated."



5. IF THE TACONITE AMENDMENT IS PASSED, HOW WILL IT AFFECT ME?

If the Taconite Amendment passes, it will pave the way for large multi-million dollars investments in Minnesota. Construction of new plants will give the region a much needed "shot-in-the-arm". Hundreds of millions of dollars, and thousands of jobs will result. The effect of this will be felt throughout the state -- to the contractor, the merchant, the suppliers, and the farmer -- and in a significant way to education. Many will benefit directly; others indirectly. The additional flow of dollars will result in larger tax income from the mining companies, their suppliers and allied industries, and from their employees. This will make my area more prosperous, my friends happier, and my taxes lower.

6. IF IT DOESN'T PASS, HOW WILL IT AFFECT ME?

If the Taconite Amendment fails to pass, the economy of Northeastern Minnesota will continue to stagnate as natural iron ore production declines. There is no hope that the natural ores from Minnesota will ever again enjoy the preferred position they once had. If taconite plants are not built, Northeastern Minnesota will become an economic liability rather than an asset. Tax revenues will have to be diverted to this area to maintain essential government services, educational facilities, and finance growing welfare problems. Already, every taxpayer contributes to the yearly 7 million dollars spent for relief which will get worse unless something is done! We must not allow this to happen!

7. BUT ISN'T MINNESOTA'S GREATEST RESOURCE IRON ORE? SHOULDN'T IT BE REGARDED AS A PRECIOUS COMMODITY?

Minnesota's greatest resource is not iron ore! It is its human resources: its men, women and children. At this time able-bodied men and women in Minnesota are unemployed. They need jobs! The more than 60 billion tons of unused ore are useless under the ground! It is true that for many years Minnesota natural ore was a commodity in great demand. Today, the situation is greatly changed. Our iron ore and taconite must compete in a world iron ore market. If it can be sold it provides employment and prosperity for a large part of the state plus substantial tax revenues to the entire state and nation.

8. WON'T THERE BE A GREAT LOSS IN REVENUE FROM TAXES TO THE STATE?

As the natural iron ore industry has become competitive there has been a steady decrease in the production of natural ores, accompanied by a decrease in tax revenues to the state. It is true that there has been and will continue to be a decline in tax revenue from the iron ore industry. The Taconite Amendment will not increase this loss. On the contrary, the added taconite production will help offset the tax loss, since the increased employment will provide increased income tax revenue. In addition, the new taconite plants will pay taxes. We must remember that 10 years ago saw virtually no taxes paid by taconite, because taconite was still unused.

9. HOW WILL THE TACONITE AMENDMENT AFFECT MY TAXES?

By getting the economy of Northeastern Minnesota on its feet again, that area will be contributing rather than taking from the state's economy. If this area continues to decline, it will become increasingly expensive to maintain local government, welfare and educational systems. In that case, the support of the systems will undoubtedly have to come from the pockets of taxpayers in other parts of the state.

10. WHEN I GO TO THE POLLS IN NOVEMBER, HOW WILL THE TACONITE AMENDMENT APPEAR ON THE BALLOT?

It will appear as Amendment #1.

11. ISN'T IT TRUE THAT IRON ORE FROM COUNTRIES LIKE CANADA, BRAZIL, VENEZUELA, LIBERIA, IS VERY MUCH CHEAPER TO IMPORT? AND IF THIS IS SO, ISN'T IT RATHER RIDICULOUS TO COMPETE WITH FOREIGN SOURCES?

There are several reasons why Minnesota should compete with foreign sources of iron ore. The huge investment in taconite plants makes it possible to produce a product that can compete on the basis of quality and not cost alone. The fear of nationalization and expropriation by some foreign governments will aid Minnesota in competing for new taconite plants. Then too, there is the aspect of National Security. The United States must have available domestic sources of iron ore. After all, competition is the sum of many things. Steel companies examine the costs of production, quality, transportation costs, taxes -- all of these factors, plus the assurance of equitable taxation, will make Minnesota a good competitor for the new taconite industry.

12. WHAT ASSURANCE DO WE HAVE THAT THE TACONITE AMENDMENT WILL MEAN MORE JOBS AND HOW LONG WILL IT BE BEFORE NEW TACONITE PLANTS ARE IN OPERATION?

Roger M. Blough, Chairman of the Board, United States Steel Corporation speaking in St. Paul, recently stated:

"As an earnest indication of our good faith, we gave the people of Minnesota a commitment -- that barring events beyond our control, and promptly after the constitutional amendment is adopted -- United States Steel will complete engineering and commence construction of a major taconite plant in the vicinity of Mountain Iron and that the new plant would be so designed that it may be expanded readily. This commitment still stands."

Ford Ogelbay Norton are commencing a 1,500,000 tons or larger plant in the Eveleth area this year, in good faith that the Amendment will pass. Hanna Mining Company is expected to build a plant near Nashwauk. Their combined cost would be over \$200 million, with an expected employment of about 4,000 people in construction and 2000-5000 permanent employees. There are still other prospects for new taconite facilities.

13. HAVE SIMILAR PROVISIONS EVER BEEN MADE IN OTHER STATES?

Other states have lower taxes on iron ore. Michigan imposes no special state taxes on iron ore. Wisconsin and Pennsylvania have corporate income taxes rather than special taxes on mining. Wyoming taxes on iron ore were less than 12¢ per ton in 1961.

14. ARE THERE SAFEGUARDS IN THE EVENT THAT THE TAXATION SITUATION SHOULD CHANGE DRASTICALLY BEFORE THE 25 YEARS ARE UP?

Yes, there are safeguards. Should the State of Minnesota require substantial additional tax revenues in the future, the legislature can modify the rates or allowable deductions for the corporate income tax at any time. The taconite amendment provides a mechanism permitting the legislature to increase the occupation tax rate. Or, if the profits of the taconite companies should improve unduly because of unforeseen circumstances, such as extremely high prices for the pellets or decreased labor costs, then the income from occupation and royalty taxes would increase proportionately.

15. ARE BOTH POLITICAL PARTIES SUPPORTING THE AMENDMENT? WHO ELSE IS FOR IT?

The Taconite Amendment has been endorsed by the Republican and DFL parties. Business and Labor are for it. Hundreds of organized groups and unnumbered interested citizens are expected to back the amendment. These will be publicized as the campaign for the amendment gets under way.

16. WHAT IF I CAN'T MAKE UP MY MIND AND THEREFORE DON'T VOTE EITHER "YES" OR "NO"?  
Leaving the ballot blank is the same as voting "No". For a constitutional amendment to pass it must receive a 50% majority of all people voting in the election. So, if you go to the polls and vote but don't vote on an amendment, you are voting "No" even if you don't want to.
17. WHAT CAN I DO TO HELP PASS THE AMENDMENT?  
Talk to your friends; cooperate with groups backing the amendment; see to it that voters are encouraged to vote "Yes" on Amendment #1. If voting machines are used, amendments are harder to find than if ballots are used, but tell your friends to find the amendment even if it takes a few seconds to do so. NO VOTE ON AN AMENDMENT COUNTS EXACTLY THE SAME AS A "NO" VOTE, you should tell all your friends.

THE TACONITE AMENDMENT MEANS JOBS! IT MEANS PROSPERITY FOR MINNESOTANS!

IT MAKES GOOD SENSE!

IT'S RIGHT TO VOTE YES FOR TACONITE!

Prepared for the  
CITIZENS' COMMITTEE FOR THE TACONITE AMENDMENT #1  
by the  
Taconite Development Committee  
of the Duluth Industrial Bureau





RESOLUTION

TACONITE AMENDMENT #1

Whereas the members of \_\_\_\_\_  
(name of organization)

recognize that northeastern Minnesota is currently an economically depressed area, and

Whereas, millions of dollars of tax revenue are required to pay the welfare costs because of this economic depression caused by unemployment, and

Whereas, there are millions of tons of taconite and semi-taconite ore which could be processed if taconite plants were built in northeastern Minnesota and thereby provide jobs for those who are unemployed not by choice but for reasons beyond their control, and

Whereas, these processing plants would not only provide jobs, but also tax revenue for educational as well as other state programs, and

Whereas, the proposed Taconite Amendment #1 which will be submitted to the voters of Minnesota at the General Election on November 3, 1964, will provide for tax equality for the taconite industry and thus encourage the building of taconite plants,

Now, therefore, be it resolved that the members of \_\_\_\_\_

\_\_\_\_\_ wholeheartedly support the adoption of the  
(name of organization)  
Taconite Amendment #1 and urge each citizen to study the provisions of this amendment and vote "Yes" on this amendment at the November 3rd General Election.

**VOTE YES**

**TACONITE AMENDMENT #1**  
It's Vital to YOUR FUTURE

1952 1962 1972



**Chairman Ex Officio**  
Governor Karl F. Rolvaag  
**Honorary Chairman**  
Dr. E. W. Davis  
**Chairman**  
Dr. Charles W. Mayo  
**Vice-Chairmen**  
Mr. Earl T. Bester,  
United Steelworkers of America  
Mrs. Scott Schoen  
**Executive Committee**  
Elmer L. Andersen, former Governor  
Val Bjornson, State Treasurer  
John A. Blatnik, Congressman, 8th District  
George A. Farr, DFL Chairman  
Robert A. Forsythe, GOP Chairman  
Robert E. Hess, AFL-CIO  
A. M. (Sandy) Keith, Lt. Gov.  
Walter F. Mondale, Attny. Gen.  
Ancher Nelsen, Congressman, 2nd District  
Stanley J. Wenberg, Vice-Pres. U. of M.  
**Treasurer**  
Robert F. Leach  
**Finance Committee Co-Chairmen**  
Goodrich Lowry  
Dwayne Andreas, Exec. Vice-Pres.  
Farmers Union Grain  
Terminal Association  
Taconite Stamp Sub-committee  
Carl D'Aquila, Chairman  
**Individual Endorsements Committee**  
John S. Pillsbury, Jr., Co-Chairman  
**Organization Endorsements Committee Chairman**  
Oscar R. Knutson,  
Chief Justice of the Supreme Court  
**Information Committee Co-Chairmen**  
James McComb  
Dr. Eugene Pfeider  
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Weeklies - Chairman  
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**Congressional Districts Co-Chairmen**  
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Ancher Nelsen  
**Advisory Council**  
Rep. Fred A. Cina  
Rep. Roy E. Dunn  
Donald M. Fraser, Congressman, 5th District  
Sam S. Grais  
Gerald W. Heaney  
William A. LaDue, Exec. Secy.  
Minnesota State Building Trades Council  
Charles McCarraugh  
Clarence Myers, President  
Minnesota Farm Bureau Federation  
Alan H. Moore  
Philip H. Nason  
William L. Nunn  
William B. Pearson, Master,  
State Grange of Minnesota  
Stephen T. Quigley,  
Commissioner of Administration  
Olin Ramsland  
Rt. Rev. Msgr. James P. Shannon

## Citizens' Committee

for the

# TACONITE AMENDMENT #1

735 Soo Line Building • Minneapolis, Minnesota 55402 • Tel: (Area Code 612) 339-1429

Rita F. Shemesh, Executive Secretary

April 8, 1964

Mrs. William Whiting  
League of Women Voters  
622 East School  
Owatonna, Minnesota

My dear Mrs. Whiting:

We are seeking your endorsement of the Taconite Amendment #1 which will be on the Ballot at the next general election on November 3rd.

As you are undoubtedly aware, a citizens' committee has been formed to help inform voters of the importance of this Amendment for the prosperity and welfare of all Minnesotans. The make-up of the committee is, in that sense, a non-partisan one with every effort made to stress the genuine breadth of the complete bi-partisan support for this Amendment. An explanation of the Amendment is enclosed.

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If we are to utilize our natural resources to their best advantage and compete favorably with the taconite industry in the United States and Canada, if we are to keep our economy sound and provide jobs for those in the mining industry - especially in northeastern Minnesota, then it is essential to pass this Amendment.

We urge the League of Women Voters to join in this broadly based effort, to adopt a resolution in terms similar to those explained in the specimen herewith, and to overcome what will be our greatest obstacle - general apathy of uninformed voters. Amendments need a majority of all votes cast in the general election - not on the amendment itself. It is the responsibility of all leading citizens of Minnesota to assure the passage of this important amendment to our state constitution.

Sincerely yours,

C.W. Mayo  
Charles W. Mayo  
Chairman

CWM/sdp

See Reverse Side for Organizations Endorsing Taconite Amendment #1

# ORGANIZATIONS ENDORSING THE TACONITE AMENDMENT #1

(as of March, 1964)

DFL PARTY OF MINNESOTA  
REPUBLICAN PARTY OF MINNESOTA  
MINNESOTA AFL-CIO  
MINNESOTA ARROWHEAD  
MINNESOTA BAR ASSOCIATION  
MINNESOTA BROADCASTERS ASSOCIATION  
MINNESOTA FARM BUREAU FEDERATION  
MINNESOTA FEDERATION OF WOMEN'S CLUBS  
MINNESOTA INDEPENDENT INSURANCE AGENTS  
MINNESOTA LEAGUE OF MUNICIPALITIES  
MINNESOTA MOTEL ASSOCIATION  
MINNESOTA NEWSPAPER ASSOCIATION  
MINNESOTA SCHOOL BOARDS ASSOCIATION  
MINNESOTA STATE ASSOCIATION OF HEALTH  
UNDERWRITERS  
MINNESOTA WELFARE CONFERENCE  
STATE GRANGE OF MINNESOTA  
STEELWORKERS UNION OF AMERICA, DIST. 33  
8TH DISTRICT AMERICAN LEGION, BUHL  
8TH DISTRICT AMERICAN LEGION, VIRGINIA  
BENSON CHAMBER OF COMMERCE  
BLOOMINGTON CHAMBER OF COMMERCE  
BOARD OF COUNTY COMMISSIONERS,  
ST. LOUIS COUNTY  
DULUTH BUILDERS EXCHANGE

DULUTH CHAMBER OF COMMERCE  
ENGINEERS CLUB OF NORTHERN MINNESOTA  
EVELETH CHAMBER OF COMMERCE  
GRAND RAPIDS CHAMBER OF COMMERCE  
HIBBING CHAMBER OF COMMERCE  
HIBBING LIONS CLUB  
KEEWATIN CHAMBER OF COMMERCE  
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MORRIS CHAMBER OF COMMERCE  
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RUSH CITY COMMERCIAL CLUB  
ST. CLOUD CHAMBER OF COMMERCE  
ST. LOUIS COUNTY CLUB  
ST. LOUIS PARK CHAMBER OF COMMERCE  
ST. PAUL AREA CHAMBER OF COMMERCE  
STEWARTVILLE CHAMBER OF COMMERCE  
VIRGINIA CHAMBER OF COMMERCE  
WEST ST. PAUL CHAMBER OF COMMERCE  
WINONA CHAMBER OF COMMERCE



Peggy Birkeland's proposal to distribut material through gas stations

Peggy wishes a decision Monday, though of course we can tell her we will have to wait until Board Meeting

Principle: I don't see any reason why not; after all this is our position; Irene sort of disagrees with this; Obviously Hibbing can send out all this stuff under the name of their own league, anyway.

I have some slight concern with just putting curtesy of the League of Women Voters of Minnesota on the out side; does this make it clear that our position is promotional? They are now planning to include a long list of the organizations promoting the amendment which would of course have our name but is this sufficient?

Material: US Steelworkers sheet(revised) is alright; Someone could quarrel with the economics of questions such as 2 and 10 and real technical people see some problems in 8; the definition; the Eric pamphlet on school is in the same category though again some people may question some of the statements; in my opinion now that we have a position we don't have to be as careful of what we say, although obviously we wouldn't want our names on a paper with a deliberate misrepresentation of facts; no one, for instance, expects us to include a statement of the ills of the Pendergast machine with our party designation material and my personal feelings are that the same sort of criteria may be applied to taconite: we have absolutely no obligation to bring out the other side in promotional material.

the paper entitled "Action St. Paul" does bother me because of the article on the back page "Chance Available to Reaffirm Basic Principles"; not only is this an inaccurate explanation of the system of taxation, but the part about Senator Mosier is a bit snide and not to my liking: I know that with a stronger consensus we might not mind saying that some Senator was a bit nuts, but this would probably be one of those Senators we didn't ever expect to support anything the League wanted anyway; Mosier is usually on our side and at the momment he is like very sensative. I would discourage Hibbing from using this piece even under their own name.

Sue, too, is concerned with the "Courtesy" phrase because she thinks this implies we are paying for all this stuff and we aren't----she thinks the idea and some other way of saying it would be alright.

Peggy's number is CL 4 2555 if you want to call her direct yourself, or let me know and I will discuss it with her.

Peggy volunteered the services of Hibbing in investigating Nett Lake and cooridinating other Leagues even before Marion got to that point in her speech---she is a real fine girl!

Ele

NOTE YES ON TACONITE AMENDMENT  
MATERIAL PROVIDED IN COOPERATION  
WITH CLWV & P MINN

2093 Birch St.  
White Bear Lake, Minn. 55110

Mrs. William Whiting  
622 E. School Street  
Owatonna, Minnesota

Dear Mrs. Whiting:

It is with a sense of bereavement that I write this letter concerning the recently announced stand of the LWV of Minnesota in support of the proposed taconite amendment. I have lost something very dear to me - my faith in the wisdom and objectivity of the decisions of the League.

It is not the content of the stated position to which I raise objection here, valid though such objection, based on League's long effort to improve the state Constitution, may be, but rather to the method by which the position was reached.

Though you surely have committed to memory what the Local League Handbook says about consensus, permit me to quote directly from it: "Consensus in the League means agreement among a substantial number of members, representative of the membership as a whole, reached after sustained study and group discussion. It is not just a simple majority nor necessarily unanimity."

According to the article in the Saturday Minneapolis Tribune, 70% of the local Leagues (42?) reported support for the amendment, which would give a remainder of 19 (?) with either no consensus, no stand, or opposed. Nine of these \* Minneapolis, St. Paul, Bloomington, St. Louis Park, Rochester, St. Cloud, Golden Valley, Richfield, and White Bear Lake have a combined membership of 2369, lacking less than 100 of being half the total membership. The remaining 10 Leagues, whichever they be, must certainly have a combined membership of over 100, constituting a majority of the state League membership within the 19 Leagues. Where then is the "substantial number of members, representative of the membership as a whole" which favor the amendment?

It seems to me that a consensus on a highly emotional topic such as this one would require an overwhelming majority of members in agreement to be considered valid. In view of the fact that this does not seem to be the case, I strongly urge the State Board to reconsider its position.

Thank you very much for hearing me out.

Sincerely yours,

*Kate E. Mizuno*

Mrs. K. Mizuno  
former State Item II local  
chairman, White Bear Lake  
League of Women Voters

cc State organization office

April 22, 1964

Mrs. K. Mizuno  
2093 Birch Street  
White Bear Lake, Minn.

Dear Mrs. Mizuno:

How I wish you might have participated in our evaluation of the consensus reports on the taconite amendment -- for if you had, I do not believe you would have lost your "faith in the wisdom and objectivity of the decisions of the League." Fortunately our task was made less difficult by the high caliber of the consensus reports such as we received from you.

We could have made these reports say many things by "playing" with figures. Let's take your work with some figures for example-- your membership figures that give you a majority of the state League membership within "19" Leagues not supporting the amendment are not correct. This is not important, however, for you are failing to recognize the minority.

Because of the very nature of this issue Leagues were quite detailed in their reports thereby giving us a good picture of the kind of support we could expect. We realize that the key word is "substantial" and we interpreted the reports from the local Leagues to be sufficiently substantial for the League of Women Voters of Minnesota to be effective in their support of this amendment.

We are hoping that our members realize the problems created by study and action on a ballot issue such as each constitutional amendment. This is not a true consensus nor does it make for the kind of Program in which the League can be most effective.

I hope that our actions in the future will be such as to restore your faith in the League. I wish you success in your party work.

Sincerely,

Mrs. William Whiting  
President

AW:rw





# STATE TREASURER

## MINNESOTA

VAL. BJORNSON  
TREASURER

ST. PAUL

LYLE V. HARRIS  
DEPUTY TREASURER

April 14, 1964

Mrs. Annette Whiting  
622 East School Street  
Owatonna, Minnesota

Dear friend:

It certainly brought great satisfaction to some of us, who have been plugging with a bit of vigor for the Taconite Amendment, to hear, late Friday evening, that the League of Women Voters' verdict was affirmative. Perhaps the vote among chapters may have been a close one--I understand that opposition was fairly strong in the Twin Cities area. The important thing, however, is that the over-all policy is one of support for this critically needed amendment.

I am almost certain that we have met. I have seen your husband several times; and I did know his father, Bert Whiting, when the Journal Chronicle was still coming out--our tribe was putting out the Mascot at Minneota in those days. Thus I feel I am by no means writing a stranger in simply communicating the strong sense of satisfaction so widely felt over the League's decision.

Some time when I see you, I will tell you the story of an "oblique pitch" which I was attempting as to the LWV during what some felt was the final critical month. It was a letter written to Dr. Charles Mayo, praising with a good deal of enthusiasm the LWV's extensive mimeographed booklet on tax provisions rooted in Minnesota's constitution. The idea was that this letter would then reach members of various League chapters. But, just a bit confidentially, I can tell you that use of the letter was vetoed by some who thought it might boomerang. Their idea was that since the League had been praised so highly in the original letter, it would simply underline the significance of the organization's stand in case it were a negative one!

"All's well that ends well" -- and now we have the continuing challenge at hand, principally that of avoiding what opponents seek in their efforts to stir just enough skepticism so people will leave the ballot blank. That is the way this amendment will be licked if that does happen--by those whose blank ballots are the exact equivalent of a 'no' vote. Joe Donovan was half gloating to me one day about what he considered almost certain prospects of the amendment's defeat. He said: "You know, Val, we will likely have 1,600,000 votes. That means it takes more than 800,000 votes to carry this amendment, and it won't get that." I hope he is wrong. And I am certain that the job can be done if a really major effort continues.

Best wishes to your husband--

Sincerely yours,

*Val Björnson*  
Val Björnson  
State Treasurer

VB:gwn

April 22, 1964

Mr. Val Bjornson<sup>"</sup>  
State Treasurer  
St. Paul, Minnesota

Dear Mr. Bjornson:

Thank you for your kind letter regarding the League's position in support of the taconite amendment. I appreciated being called "friend" and Bill thanks you for remembering him.

I was delighted with your report on your "oblique pitch" relating to our material on tax provisions in the constitution. Of course we like anything like this that seems to point out a certain prestige the League has developed over the years in our work on constitutional revision.

We plan to continue to promote our other publication, "Proposed Amendments to the Minnesota Constitution 1964" for we believe that although this was prepared as an unbiased study it serves a very real need. There are still many citizens who make their own decisions on issues after proper consideration of the facts -- hopefully this publication will help these voters decide in favor of both amendments.

Now the big decision has been made, we can lend our efforts to those already committed to the passage of the amendments.

Sincerely,

Mrs. William Whiting  
President

AW:rw

4912 Ewing Ave So.  
Minneapolis 10, Minn  
April 13 1964

Mrs William Whiting, Ocuatonna, Mex.  
672 East School, President, Minnesota League Town Veterans.  
Dear Mrs Whiting:

In Minneapolis morning Tribune, Saturday 4-11-64 there appeared an article by Frank Knight. It stated your State Organization decided to back and support the proposed tax rate amendment. And here I hasten to add I read and reread this article a number of times. And each time I was drawn back to your tremendous effort to arrive at your conclusion, to support this tax rate amendment because this article states "you arrived at your decision" after months of study and a degree of soul searching. Personally I would have preferred your projections in total to be really concerned with your traditional approach and do your best to enlighten all of us with a distribution of "facts" and not statistics encompassing every factor. Yes I too am concerned ~~about~~ about economies, jobs, and their followers. I too have been a victim of no job, no a chance to get one. But also I am concerned with a "damnable escape" from taxes by 66 2/3% of the make up of our nations income. You and I and your tremendous group of people are in the 1/3 or 33 1/3%, making up our nations ~~no~~ income that pay the total tax, this I am certain.



2) It is me and you and all of your members and  
all in this  $\frac{1}{3}$  that "must" pay the taxes for the  $\frac{1}{3}$  who  
are nations income that resort to "escape" in this  
damnable bracket. And this  $\frac{1}{3}$  segment know we do  
not possess the "quits" nor the facilities to flatly say  
"Stop thief" and theft it is. That is until in the past  
few months there are these <sup>new</sup>  $\frac{1}{3}$  that have and do  
possess the "quits" to divorce ourselves from this rotten  
"Corporate business" and in our way have projected  
in no holds barred fashion a fight to the death to  
put all of the 66  $\frac{1}{3}$  % of our nations income not  
taxed in to paying taxes. We  $\frac{1}{3}$  mean business. And  
we have progressed in fantastic steps. We have  
something. And our program is beyond controversy.  
And now since this is an election year the ins are  
seeking to hold on and the outs are hopeful they  
can "muscle in". Mean not interested in the ins or  
the outs wanting in. Mean not interested in a  
Repetition of Personal jealousy. And such  
exists in the Political arenas, local, state and  
National. Can you imagine Mrs. Whiting, (I am sure  
you can) handing down to your children <sup>new</sup> a debt free  
Nation and debt free subdivisions of our nation. Is this  
fantastic dream? Not a nation. It is fact & quits acting.  
And we are in there pitching every day and doing  
a fantastic job. I am sure you must agree now.

Today that any amendment to our Constitution  
in the Kenyan just completed a study and a  
~~low~~ degree of searching that ~~the~~ very very  
real recommendation of your action to support  
the Taconite amendment is now an order, based  
upon sound economics that extracts from 1/3  
of our nations income for twelve billions to pay the  
way of 2/3 of our nations income not taxed and  
therefore escape paying taxes. Get this 2/3 demand  
our children, our childrens children don a Uniform  
of our armed services to man our 1st line of defense  
to protect this segment dodging taxes. Can you  
Mrs. Whiting & your Menneata Leagues of Women  
Voters reconcile this damnable wrap and jolt  
to our children? Do you honestly feel it is the  
duty and the privilege & your children & your  
childrens children to wear the Uniforms of <sup>our</sup> armed  
services and pay the bill too? The do Not. Nor will you  
When all the facts ~~involved~~ involved in this Taconite  
amendment is then before you. The silent no funds nor accept any.

And ~~to~~ now I very respectfully request you <sup>for</sup>  
Mrs. Whiting to once reconsider your action on this  
Taconite amendment and to rescind your action  
supporting this Taconite amendment now today.  
Please do so. And I very respectfully request you for  
me your aid. Sincerely T. R. Barrett.

April 22, 1964

Mr. T. R. Bonnett  
4912 Ewing Avenue S.  
Minneapolis, Minnesota

Dear Mr. Bonnett:

Thank you for your letter of April 13th. We appreciate your interest in the League of Women Voters.

Our position on the taconite amendment is not subject to change at this time. Enclosed is a copy of our stand as given to the newspapers on April 10th.

Sincerely,

Mrs. William Whiting  
President

AW:rw  
Enc.



4912 Ewing Ave. So  
Minneapolis 10, Minn  
4-10-64

Mrs William Whiting, President,  
Minnesota League of Women Voters -  
677 East School, Owatonna, Minn.

Dear Mrs Whiting:- The Minnesota Interim Tax Study  
Commission of 1963-1964 will hold a public hearing  
of Citizens of Anoka, Carver, Dakota, Hennepin, Ramsey,  
Scott and Washington Counties April 23 1964 in the  
Capital National Guard Armory, 600 Cedar Street,  
St Paul Minn commencing at 9:30 AM Thursday April  
23. The Commission will continue in session until all  
who wish to speak have been heard.

Mrs Whiting, the purpose of this is to carry out the  
directives of our State Legislature to evaluate State  
and local tax resources both present & future,  
reviewing the equity of current tax obligations on various  
groups and classes of taxpayers, and with determining  
a sound and consistent program of balanced taxation  
that will provide equitable treatment of all taxpayers.

1st allow me to state clearly that Mrs Whiting has not  
yet nor has I ever been a candidate for public office  
election or appointment. Nor am I going to be.  
2nd about 5 days ago I received from Mpls City Assessor  
the 1962 "Clarified list - Exempt Real Property" in our  
city. This is a shocking disclosure. It is growing worse  
by leaps & bounds. And I again state to you and  
every man woman & child must act now and to repeat to  
you now that only 1/3 of our Nations income is taxed. The  
rest is beyond the privileged few. They respectfully  
request you ask your City Assessor to furnish you  
with a like list and City Assessor furnished me.  
And respectfully request you ask each of yours

✓  
Mrs. Whiting.

members to receive from their respective City  
a memo or a list of Classified list. Exempt real property  
Now and list. And I respectfully request you  
and your groups to present exponents before  
this Minnesota Tax Study Commission starting  
@ 9:30 AM Thursday April 23 in Capitol Hill  
National Guard Armory 600 Cedar Street,  
St. Paul Minn.

We now are vindicated for our opposition  
to the recently enacted Federal tax cut by our  
U.S. Congress. It certainly increased our Federal  
debt overnite by 12 billion dollars plus a full  
carrying charge of this 12 billion by 9 million  
dollars annually to the treasury. And now now the  
great designer of this tax cut Helen Gault is  
boasting and admits it increases our Federal debt.  
And now the Proposal by the Congress is to set up  
a 5 to 10 billion dollar annual expenditure  
to reduce our unemployed from 6 or 7% to 4 or 5  
Percent.

Mrs. Whiting you head a tremendous group. You  
have turned from your Stated Policy. This matter  
look from all of you is to rescind your previous action  
of approval of the amendment and to lower  
the boom at this tax hearing in St Paul April 23.  
your motion now please.

Sincerely

T. R. Barrett

4912 Ewing Ave So  
Mpls 10 Minn  
4-24-64

Mrs Nelliam Whitney President,  
Mnnesota League of Women Voters  
622 East School, Orono, Mnnesota

Dear Mrs Whitney: - The attachment here is one  
we feel you should have. We are pleased you are  
also & we would all together hope you can read  
this experience.

Mrs Whitney I very respectfully request you  
direct a letter to "Interim Tax Study Commission  
of 1963-1964" Room 204 State Capitol, St Paul, Minn.  
55101 and request they Commission mail to you  
Promptly all transcripts of hearings held in St Paul  
Thursday April 23 - and request this Commission  
also to mail <sup>like</sup> transcripts to each of your Officers  
and directors.

I regret our Mpls City Council overlooked  
sending to this hearing a Representative delegation  
chosen from our City Council members.

Our State Legislature charged this Commission  
with tremendous power to deal with State and  
local tax resources both present and future. And each  
City & Community of our State is in dire need of aid to obtain  
a placement upon all of our Real Property, equitable tax  
obligations. The tax burden on the few would be spread  
to the many and all encumber greatly reducing each ones  
tax burden and opening avenue to their resources not now  
taxed. Please do. Sincerely T.R. Barlett



League of Women Voters of Minnesota, State Organization Service, University of Minn.  
Minneapolis, Minnesota 55455

Release: April 10, 1964

Mrs. William Whiting, President  
622 East School, Owatonna

League announces stand on  
Taconite Amendment (No. 1)  
and on Amendment #2

Following intensive study of the complex problems surrounding the Taconite Amendment, the League of Women Voters of Minnesota will support passage of this amendment. The possible economic benefits to the depressed areas of northeastern Minnesota and ultimately to the state as a whole were primary reasons for the decision to support the amendment. These factors outweighed constitutional considerations.

The League of Women Voters of Minnesota strongly supports Amendment #2. This amendment would make several long-overdue improvements in the Constitution.

We will work actively for the passage of both of these amendments.

4912 Irving Ave. So.  
Minneapolis 10 Minn  
4-24-64

Mrs William Whiting, President  
League of Women Voters of Minnesota  
627 East School Owatonna, Minn.

Dear Mrs Whiting:- It was excellent & good to write to  
me as you did 4-22-64. And to enclose your Release  
of April 10 1964 to our Press ( Tribune ) was very fine & good.  
Both these positions I deeply appreciate.

It is most encouraging to us seeking equitable  
tax structures to find in your letter to me that  
your position on the tax & concrete amendments is  
Not subject to change at this time. Such a  
declaring principle by you 5500 people gives us  
to view with encouragement open readiness to  
act to reconsider when the facts are presented from  
factual data. And there are facts in a glaring abuse  
& constitutional privilege and facts for the economic  
position, I submitted to you when stated but 1/3  
your Nations income is taxed and 2/3 is our  
Nations income goes absolutely bounding into freedom  
& selfish interest to the utter bankruptcy of our State  
and nation. This is 1/3 loss and 2/3 Economic privilege  
for the few. These are facts Mrs Whiting. And one of your  
Statements and your 5500 membership cannot be bound  
by political, economic and emotional instability.  
This we know to be true & you and your want and  
Command! ever demand now an equitable solution  
for all your Minnesota people and our people are not  
statisticians endorsing you and your 5500 members.  
And I make additional submission to you in this  
factual view by attaching here a tremendous article on  
our editorial page 4-21. Please give it a 5500 edit to your  
members. And allow us to come into your for your recomen-  
dation and endorsing & your own supporting these  
tax amendments.  
I hope you attended much at your Natl meeting this week  
Sincerely T. R. Barrett

# Those 'Poverty Stories' Don't Amuse Iron Range Residents

By LEONARD INSKIP  
*of the editorial page staff*

A REPORTER from Washington recently traveled to West Virginia to do a story on Appalachia, the multi-state depressed region extending from Pennsylvania to Alabama.

labor force in St. Louis County other than Duluth was estimated at 38,300, while unemployment was 2,500, or a jobless rate of 6.5 per cent. Itasca County, also a mining area, had unemployment of 6.7 per cent. These rates were above the national average and substantially higher than southern Minnesota. But they also





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Citizens' Committee for the Taconite Amendment # 1

735 Soo Line Building Minneapolis, Minnesota 55402

Telephone Area Code 612 - 339-1429

FROM THE DESK OF RITA SHEMESH

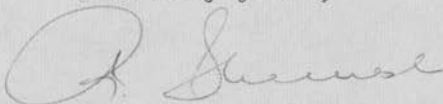
April 8, 1964

Mrs. Whiting:

Dr. Mayo has asked us to forward to you additional materials about the Taconite Amendment #1.

Please let us know if we can send you enough for all your members.

Sincerely yours,



Mrs. Rita F. Shemesh  
Executive Secretary

RFS/sdp

[ April 7, 1967 ]

Supplementary Fact Sheet  
TACONITE AMENDMENT  
STUDY

MEMO: From the Duluth, Virginia, Chisholm, Silver Bay and Hibbing Leagues of Women Voters

Because the "Taconite Amendment" is so vital to the immediate future and very existence of the Range and Duluth Area, we have been exposed to Taconite with great intensity. It is probable that our members have of necessity become more deeply concerned and informed about it than have members in other areas of the State.

We have shared with others here and throughout the state the initial confusion of delving into this new and somewhat overwhelming field which combines taxes, technology, economics and state law. We have asked innumerable questions, and have gathered significant answers.

We have watched and listened as representatives from the ore industry, labor, business and government wrestled with the realities of economic problems as well as ideological barriers and deeply-rooted prejudices.

We have seen emerge an understanding of the complex factors which govern the decision to support the Taconite Amendment.

This understanding has transcended the barriers between labor and management, democrats and republicans, and governmental theorists and economic pragmatists, until we now find a vast and reasoned agreement that passage of the Taconite Amendment is not only necessary for the economic future of Northeastern Minnesota but for the rest of Minnesota as well.

Therefore, we send you this fact sheet on Taconite in the hope it may help to answer some of your questions during this quick cram course on a subject so huge in scope and crucial to the economy--- that it may serve as supplementary material to the excellent pamphlet, "Proposed Amendments to the Minnesota Constitution" supplied by the League of Women Voters of Minnesota.



## WHY HAS MINNESOTA BEEN BY-PASSED IN THE RAPID EXPANSION OF IRON ORE CONCENTRATING PLANTS AROUND THE WORLD?

Minnesota was the first place where large low-grade ore concentration plants were built. Considering the foresighted experimental contributions of the University School of Mines of Minnesota and persons such as Dr. Davis, it might be called the birthplace of Taconite. However, our record of taconite industry growth has been dilatory and disappointing.

In 1961, there were 34,000,000 tons of high grade concentrating capacity being utilized in the U.S. and Canada. Of this, only 14,500,000 tons were in Minnesota. In 1963, there were 54 million tons of annual capacity with only 17,500,000 of this in Minnesota.

In 1963 there were a total of 41 plants operating or under construction in the U.S. and Canada, for the production of pellets or highly concentrated iron ore products. Only 3 of these were in Minnesota.

Certainly, the equality and stability of taconite taxation is of primary concern to the suppliers of the vast amounts of risk capital necessary for the construction of plants in Minnesota, for the investment in plants and equipment alone is approximately \$30,000,000 for each 1,000,000 tons of plant capacity -- an investment of \$100,000 per man employed, the highest of any manufacturing process in the U.S. These plants can obviously not be shut down or be moved as was true of the old natural ore operations.

However, other factors must be considered when assessing the tough competition which Minnesota must meet in its bid for taconite plants.

Because iron is the fourth most abundant element on the surface of the earth, transportation becomes an important factor in locating the source of supply for steel-making. Cheap water transportation makes it possible and profitable to ship iron ore to blast furnaces in the U.S. from most known reserves in the world.

Most foreign countries where iron ore development is now taking place have cheap sources of power. Northern Minnesota is in need of a supply of cheap fuel, and the possibility of attaining this is linked with only the development of a large, sustained demand -- hence, the inter-relation with the expansion of the taconite industry.

Besides the initial outlay of capital for construction, the taconite industry is an expensive one to operate. It takes 3 tons of crude ore to produce 1 ton of pellets as to produce 1 ton of natural ore. It is a manufacturing process, not just an extracting process as was the natural ore industry. Most foreign ores require less treatment to put them at a comparable market level in terms of structure as well as chemical composition. Wage rates in many cases are less than those in Minnesota.

Noting these and other competitive factors the local and state wide attitudes, the partial assurances of a fair tax policy in the future take on added significance, for the history of taxation of this industry -- whether judged right or wrong in the past -- is not reassuring. The largest single cost of mining iron ore in Minnesota is state and local taxes. In recent years, these taxes have amounted to about 25% of the total cost of producing iron ore, exceeding any single cost of labor, depreciation, beneficiation and royalty payments.

Comparisons with other taxes are interesting: Considering the Ad Valorem tax (or property tax) paid by the mining industry, it is found that the actual assessed full and true value is much less for any other business and for farming, than for the mining industry, while the statutory ratio for mining is higher than for other businesses. The overall effect is that mining pays a property tax over 3 times that of other business and over 7 times that of farming for the same market value.

In general, other states and countries have lower taxes on mining activities than does Minnesota.

Tax laws of competing mineral areas, such as Michigan, Pennsylvania, and particularly Canada, also offer incentives for venture capital, initial tax-free periods, rapid amortization, depletion allowances and deductions for research and exploration expenditures. The policy seems to be one of attracting industries and providing additional jobs in order to create growth and broaden the tax base.

It is important to consider that the proposed Amendment does not alter or effect the Basis on which direct shipping and processed iron ores are now taxed. Neither will it lower or freeze present taxes on taconite.

It will serve to counter the already established policy and precedent of placing special tax legislation concerning iron ore in the Constitution -- however regrettable or inconsistent with principle.

# WHY DID THE ERIE AND RESERVE MINING COMPANIES LOCATE IN MINNESOTA WITHOUT TAX ASSURANCES SUCH AS THE TACONITE AMENDMENT?

These plants not only had the advantage of a fast tax write-off but then Erie and Reserve Mining Companies were pioneers in the taconite industry and they depended on the favorable climate usually offered new industry. At the time the state and local governments were receiving some \$50 million in tax revenue from conventional iron mining.

The fear of investors, as expressed by Prof. Davis was that with the depletion of the high grade ores, the state would shift the burden of taxation to the high-cost taconite industry. There also was the fear that the state might say "Now that we've got them all in here, let's sock 'em."

They moved into areas in which much of the land had been tax-forfeited. Thus, they were not moving into areas of concentrated population or urbanization. Therefore, they would not become involved in the usual local tax controversies. Both companies paid most of the costs for necessary schools, paved streets, alleys, sidewalks, and installed water and sewer lines, etc. Thus, local taxes could be expected to remain low in the future.

Furthermore, in the early 1950's when these companies were developed, the practice of utilizing ores outside of Minnesota was not established as it is now.

## SINCE TACONITE PLANTS ARE HIGHLY AUTOMATED, HOW WILL THE EMPLOYMENT PICTURE BE EFFECTED BY THE ESTABLISHMENT OF SUCH PLANTS?

It takes about 2½ times as much labor to produce a ton of pellets as to produce 1 ton of natural ore. In 1960 in the Hibbing-Chisholm District of the Oliver Iron Mining Co, 1500 men produced 8,000,000 tons of ore. In that same year 5,000 men in the two large taconite plants produced only 10,500,000 tons of pellets.

If we were to achieve our goal of 60 million tons of annual capacity, as proposed by the Minnesota Natural Resources Council, and the University School of Mines, Minnesota would have received a total investment of over \$2,000,000,000, and there would be about 25,000 people employed directly in mining and processing of taconite and semi-taconite. These workers would earn about \$140,000,000 a year at today's wages. Furthermore, studies have shown that tens of thousands of additional jobs are developed simultaneously in associated or service industries.

According to the Economic Research Department of the U.S. Chamber of Commerce, for each 300 men employed to produce 1,000,000 tons of taconite pellets there are:

888 more people	336 more households	153 more school children
327 more passenger cars	12 more retail stores	\$810,000 more bank deposits
\$ 1,770,000 more personal income per year		
\$10,800,000 more retail sales per year		

The taconite industry will, also, offer year-round employment. The mining of natural ore has always presented the problem of the yearly winter shutdown.

At the present time, Minnesota's net mining employment has dropped since 1958 by 7,400 workers, according to the Department of Employment Security (January 1964).

In 1962 the Range area drew \$6,000,000 out of the Unemployment Compensation Fund against \$ 3,000,000 of contributions. It had to ask the Legislature for two work projects of over \$ 1,500,000 each, and over \$ 2,000,000 in the natural resources bill to sustain its people.

This employment and relief cost picture can only continue its grim trend as natural ore production is reduced.

## WHAT IS THE " LIFE EXPECTANCY" OF THE SO-CALLED NATURAL ORES?

The listed iron ore reserves of the State have fallen from one billion tons to ½ billion tons in the last 15 years. By subtracting the major portion of the underground ores, which cannot be mined economically today, the figure is closer to 400 million tons. Of equal significance, much of this open pit ore cannot meet market specifications. The life of the "natural ores" are thus about 10 years, even considering a falling rate of production. These higher grade reserves can be considered useful to carry the industry through a transition period until full taconite production can be achieved.

6666  
40,000,000

DOES THE TACONITE AMENDMENT FREEZE TAXES ON TACONITE AND SEMI-TACONITE BY DENYING THE PEROGATIVE OF THE LEGISLATURE TO AUTHORIZE TAXATION BASED ON CHANGING ECONOMIC FACTORS?

At anytime that the Legislature thinks that the income tax, applicable to manufacturing corporations would yield more money to the state, it can make the taconite and semi-taconite companies pay similiar increases. The statute is only a PARTIAL protection to the taconite and semi-taconite industries from being discriminated against in the future as compared with other business corporations in state tax matters. PARTIAL PROTECTION - because there are three specific limitations written into the law which preserve the right to discriminate in certain respects. Thus, while in the case of ordinary corporations selling their product outside the state, only a small part of the net income can be assigned to Minnesota - in the case of taconite companies, the Legislature - if it saw fit - could assign the total income to Minnesota. Again, under one of the specific exceptions in the law, the Legislature does not have to give taconite and semi-taconite companies the same right to carry losses forward or back, as it gives other corporations. Also, the Legislature could increase the production tax for local purposes.

The Amendment does not freeze taxes, but ratifies a tax policy for taconite and semi-taconite operators, that in the future, they will be taxed fairly, and without discrimination, and not be required to carry a greater burden for occupation and royalty taxes than the taxes imposed upon other manufacturing corporations.

WHAT FUTURE TAXES CAN THE TACONITE INDUSTRY BE EXPECTED TO CONTRIBUTE TO MINNESOTA ?

A study of the tax picture for the Reserve and Erie Mining companaies is indicative of how great the tax contribution of a growing taconite industry can be.

The taxes for the next 25 years which the present Reserve Mining Co is expected tp pay are \$95,000,000. Erie Mining Co taxes will amount to approximately the same.

To take the Minnesota University Trust Fund as an example: Mining taxes have thus far placed \$260,496,322 in this permanent fund - it is estimated that the Erie Lease alone on tax forfeited lands, and the royalties from the leases on University lands, will place more money in the University Trust Fund in the next 100 years than ther<sup>e</sup> is today.

The University School of Mines and the Natural Resources Council predict that the establishment of ten to twelve taconite plants with an ultimate capacity of 60 to 90 million tons of pellets annually is feasible for Minnesota.

The taxes from these projected taconite plants, combined with the increased income tax revenues from a large labor force and the greatly increased business activity in the Range-Duluth area should continue to shoulder a significant part of the tax load in Minnesota.



[ June 7 1964 ]

## Background for Boarders: Why the League supports Amendment I

As leaguers you will be questioned most often on the constitutional aspects of Amendment I. Don't try to argue it improves the constitution. It doesn't. We felt economic considerations outweighed the constitutional considerations. It is acceptable from a constitutional standpoint because:

It is self-limiting and will expire in 25 years.

There is historical precedent for including iron ore taxes in the constitution: It is a constitutional remedy for a constitutional inequity.

It gives a degree of flexibility in that the legislature has a choice between the occupation tax and the corporation income tax.

Senator Mosier's arguments center on the "notwithstanding other provisions" phrase, and the fact that his means we are voting on more than one article at once. This is weak; all amendments by their very nature repeal, or may repeal other sections. All the special taxes do limit the legislature powers of taxation.

From an economic standpoint will the taconite amendment do all its supporters claim? We don't know but we felt it was a step in the right direction.

It will improve the tax climate and make it more attractive for Eastern investment.

U.S. Steel has promised a plant here if the amendment is passed.

New plants will create jobs, alleviating poverty and hopelessness on the range and reducing the welfare burden to the state as a whole.

The range is a depressed area: it needs our help.

How about taxes?

It does not lower taxes, it does not freeze taxes, it simply guarantees that taxes will not be more than are paid by other manufacturing corporations.

It does not apply to the tonnage tax or other taxes in lieu of the property tax.

So far Mr. Horn's material has emphasized other "breaks" given Taconite in terms of leases of state land and powers of eminent domain. He argues that the treatment given taconite has already been "too generous". We are not voting on any of these things.

Will mining lay waste our beautiful north woods? Obviously with the amount of ore that is going to be removed there are going to be some changes made in the landscape. Again, the Taconite Amendment does not affect future legislation in the field of conservation, and the natural resources committee has regarded the present taconite companies as very cooperative in terms of water pollution and so on. Preserving the range for vacation land will not provide year-round jobs the way taconite plants will.

ODIN LANGEN  
7TH DISTRICT, MINNESOTA

COMMITTEE:  
APPROPRIATIONS

MAR 9 1964

1519 LONGWORTH OFFICE BLDG.  
TELEPHONE: CAPITOL 4-3121  
EXTENSION 2165

HOME: KENNEDY, MINN.

EXECUTIVE SECRETARY  
AUDREY HAGEN

**Congress of the United States**  
**House of Representatives**  
**Washington, D. C.**

March 4, 1964

Mrs. William Whiting, President  
League of Women Voters of Minnesota  
State Organization Service  
University of Minnesota  
Minneapolis, Minnesota 55455

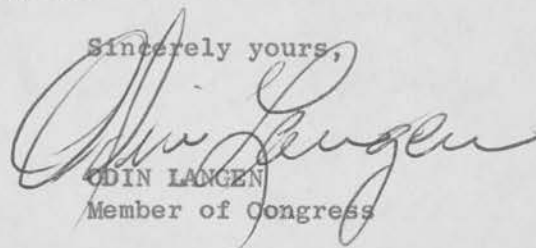
Dear Mrs. Whiting:

This will acknowledge receipt of a copy of  
the memorandum and information which you have prepared  
on the taconite amendment and the obsolete provisions  
amendment to the Minnesota State Constitution.

Your organization is to be commended for the  
efforts you are making in analyzing these important  
issues and informing the public.

With best personal regards,

Sincerely yours,

  
ODIN LANGEN  
Member of Congress

OL:cj

*Sent to all Congressmen*

# LEAGUE OF WOMEN VOTERS OF MINNESOTA

STATE ORGANIZATION SERVICE, UNIVERSITY OF MINNESOTA, MINNEAPOLIS 55, MINNESOTA

May 19, 1964

Dear

Your letter raises a number of questions both philosophical and specific. Let's start with a discussion of principles.

As you know, constitutional revision has long been a goal of the League. During the course of our study we have developed both a general philosophy and a number of specific stands such as clearly fixed executive authority and adequate legislative session. Part of our philosophy is that the constitution should be a broad basic document and not a collection of statutory declarations. However this is not a consensus position, nor can it be. All groups, including the League, that are working for constitutional reform denounce statutory provisions as limitations on truly representative government and then turn right around and begin listing areas they feel should not be left to legislative discretion. In the reapportionment field, for instance when the League spoke of "guaranteed population" in one house we were thinking of a very specific statutory kind of statement such as "population shall not deviate from the average by more than 15%." Again in the executive article the League might well want to support a constitutional declaration of policy on what has been a statutory matter: length of term and method of appointment of department heads.

The financial article or provisions--for tax policy is scattered throughout the constitution--have presented particular difficulties. "That government should maintain an equitable and flexible system of taxation" is one of the League's principles; but we have no precise criteria for judging just what should be included in the constitution. This has led us to evaluate each amendment in this field on its own merits. Thus the League supported the debt amendment "to let Minnesota get on with its building program", we supported an amendment on investment of trust funds to "increase revenue to the state" and the League is supporting the taconite amendment "to provide a favorable tax climate for investment in northeastern Minnesota." Justification for the emphasis on economics may be found in another League principle: "that government should---promote a stable and expanding economy."

Perhaps I should add an additional word about the "flexibility" of this amendment. The limitation on the legislature's power is that they may not change the formula for computing the occupation tax; the flexible feature is that they have the option of imposing the normal corporation income tax except that three provisions (asked for by the legislature) enable them to recognize the special characteristics of the taconite industry and have the effect of enabling the legislature to impose a higher tax than the usual formula might allow. You may ask "Wouldn't just removing the Occupation Tax entirely from the constitution permit even more flexibility?" The answer seems to be no: the removal of an established





Page 2.  
May 19, 1964

tax from the constitution would probably be interpreted by the courts as a mandate to the legislature to apply only the normal corporation income tax.

You also question the relation of the taconite amendment to the wording of our Current Agenda Item. As this item has developed in the past three years we have focused our attention on ballot amendments; most amendments proposed by the legislature are written with the view of solving a specific problem with less emphasis placed on their relationship to the rest of the constitution. Is the study of ballot amendments the right approach to an improved constitution? The second half of the original purpose of this was that the League should propose its own amendments, but the constitution does not exist in a vacuum, and one must understand the problems of the state to propose or support an amendment: our whole tax structure would be involved in a major revision of the financial article. And, just passing an amendment may be doing only half the job, for we should also be concerned with necessary statutory implementation; Home rule is a case in point. We as a Board are questioning our whole approach to constitutional revision and we are glad to see similar concern expressed by members such as you.

I could spend six pages detailing the many thoughtful consensus reports we received: this study produced higher member participation, interest and understanding than any we have ever done. When members wrote that economic considerations were the most important, they were thinking in terms of increased employment and prosperity for the people on the range. They did not look at this amendment as just a matter of expedience, but were concerned with the humanitarian aspects of its passage. A controversial amendment such as taconite is not ideally suited to the consensus procedure. The Local League Handbook states that consensus should be taken on principles, not specific legislation and that the Board should decide the League's action on the basis of position. In taking a consensus on this amendment we were both dealing with specific legislation and were asking an action question. One of the problems with doing this is that "no stand" becomes an action in itself. On the basis of the returns we found 65% of the members supported the taconite amendment with the remainder split almost evenly between no stand and opposition.

We will not rescind our stand; however we do thank you for your thoughtful letter and we appreciate your concern for the League.

Sincerely,

Mrs. Earl Colborn  
Chairman, Constitutional Item

May 19, 1964

Hon. Oscar R. Knutson  
Chief Justice of the Supreme  
Court of Minnesota  
St. Paul, Minnesota

My dear Chief Justice:

It is certainly a privilege for me to serve with the Chief Justice of the Supreme Court of Minnesota as co-chairman on the Organization Endorsements Committee of the Citizens' Committee for the Taconite Amendment #1. I am looking forward to meeting you in person.

Mrs. Shomesh is certainly an efficient executive secretary and seems to have endorsement activities moving right along. Are there any particular activities of the committee in which you and I should be more involved?

I sincerely hope that all these organizations endorsing the amendment will work to inform their members so that they will vote "yes" next November—otherwise their endorsement has little meaning.

Sincerely,

Mrs. Mm. W. Whiting  
President

ATW/mc

THE SUPREME COURT OF MINNESOTA  
ST. PAUL

OSCAR R. KNUTSON, CHIEF JUSTICE  
THOMAS GALLAGHER  
MARTIN A. NELSON  
WILLIAM P. MURPHY  
JAMES C. OTIS  
WALTER F. ROGOSHESKE  
ROBERT J. SHERAN  
ASSOCIATE JUSTICES  
FRANK T. GALLAGHER  
COMMISSIONER

April 24, 1964

Mrs. William Whiting, President  
Minnesota League of Women Voters  
622 East School Street  
Owatonna, Minnesota

Dear Mrs. Whiting:

I have just been advised by  
Mrs. Shemesh that you have consented to act as  
co-chairman with me on the Organization Endorse-  
ments Committee of the Citizens Committee for the  
Taconite Amendment. I am glad to learn that you  
have agreed to do this. I shall be happy to  
serve with you as co-chairman on this committee.

Sincerely yours,

*Oscar R. Knutson*

ORK/FH

*R This is certainly a privilege for me to serve with  
the Chief Justice of the Supreme Court of Minnesota  
as co-chairman on the Organization Endorsements  
Committee of the Citizens Committee for the Taconite  
Amendment #1. I am looking forward to  
meeting you in person.*

*R Mrs. Shemesh is certainly an efficient executive secretary & spends  
her endorsement activities making legislative. Are there any particular  
activities of this committee in which, you, and I  
should be more involved?*

*I am sure that Mrs. Shemesh is a very capable  
person and I am sure that she will be a great  
asset to the committee.*



I sincerely hope that all these organizations  
endorsing the amendment will want to inform  
their members so that they will vote  
"yes" next November - otherwise their  
endorsement has little meaning.

Hon. Oscar R. Knuteon  
Chief Justice of the Supreme Court of Minnesota  
St. Paul, Minn.

my dear Chief Justice:

file  
May 15, 1964

Mrs. Lillian Jensen  
16424 Lake St. Extended  
Minnetonka, Minnesota 55345

Dear Lil:

We all appreciated your "memorandum" on the taconite amendment--not only for what it said but also for its tone. This is the fifth communication we have received--in writing that is--and the most realistic. Of course all five were pointing out "our" error but you recognize whose error it really is while to the others the only ones in error are the members of the state Board--and for this we thank you.

We have learned a great deal from this experience which is as it should be. Naturally the state Board did "agonize(d)" over how to interpret the consensus and made the decision which they believe reflects the wishes of a substantial majority of the members." We felt we were fortunate to have quite complete and what appeared to be thoughtful consensus reports from the local Leagues but you know as well as we do that it would be impossible to evaluate "how much of the registered support is all-out support and how much of it is qualified support." This is as true of housing, party designation or constitutional convention as it is of this amendment yet no one seems to question too much the validity of our positions in these other areas.

We hope that your point on League Program as a basis for League action comes through to the majority of our members before Convention next year. We are going to make every effort to direct their thinking in this way and would appreciate any suggestions you might have to help us with this. We are starting it off with a panel of our state Program chairmen at Council "looking ahead"--showing the way to Program items that result in broad general positions and not "votes" on ballot issues. This same concern will also be brought out in the workshops on state Program.

So far there is no indication that all local Leagues will be aboard the taconite bandwagon. We still have those capable of independent thinking! We are making available to our Leagues the free material from the Citizens' Committee for the Taconite Amendment #1 and are also suggesting the committee's speakers bureau be used. That the League of Women Voters is proposing voters service material including outlines for voters service talks. Any specific suggestions for us in this area?

Mrs. Lillian Jensen

May 15, 1964

Page 2.

This has been a little rough going for this Board (composed of so many neophytes)—but we knew it would be when this Program was adopted. As you say the implications are broad and because of this I know we will emerge with a better understanding of our real worth and of the contribution we must make as an organization dedicated to working on government issues we believe to be in the public interest.

Sincerely,

Mrs. William W. Whiting  
President

ATW/mc



MAY 5

## MEMORANDUM

May 5, 1964

MAY 6 1964

TO: Minneapolis LWV Board  
 Minnetonka LWV Board  
 (Carbon to State Board)

FROM: Lillian Jensen  
 RE: Taconite amendment

16429 Take it Extended  
 Minnetonka  
 55345

I've been trying to swallow all that taconite, but it continues to gag me. Seriously, I am deeply troubled by the Minnesota League's position on the amendment. In my opinion we have embraced expediency and deserted principle. Once you do that, where do you stop? This decision cannot be put into a nice little logic-tight compartment labelled TACONITE, 1964; it is too basic, and its implications are therefore much broader.

I'm sure the state Board agonized over how to interpret the consensus and made the decision which they believe reflects the wishes of a substantial majority of the members. Obviously I have not seen the returns, nor do I know all that transpired in Board discussion. Two considerations keep haunting me, however. One bears on the interpretation of this particular consensus. The other concerns League program as a basis for League action. Both are an inseparable part of this whole ball of wax.

1) Some League members are supporting the amendment unenthusiastically, with real reservations. Among those I've talked to (and admittedly that's not a statistically valid sample--it's just quite a few Leaguers) only one was untroubled. She said, "The amendment is just a band-aid," a patch the constitution needs. These are supporters of the amendment, not opponents. It's only natural to wonder how much of the registered support is all-out support, and how much of it is qualified support.

2) Our program item reads: The LWV of Minn. will work for amendments to improve the Constitution of the state of Minn. It says nothing about improving the economic climate of the state. If our members are convinced the amendment improves the constitution, then we are on solid ground. If not, it seems to me only two paths were open to us: taking no position and doing a voters service job, or opposing the amendment. (This point is old hat, I know, but it had to be included as part of my argument.)

Our state position has been taken, and that's that. If I thought this letter would have made any difference in the outcome had it been written earlier, I'd kick myself black and blue, but I'm not that naive. The questions it raises are not new. I'm sure they were thoroughly aired and carefully weighed by local and state Boards alike. My reason for writing now is simply to register my dissent from our stand. Should either the Minneapolis or the Minnetonka League, or both, decide to do a voters service job on the amendment instead of supporting it, I would be one of their happier members.

At the next legislative session, when we are urging support--on principle--for such things as party designation and adequate appropriations for SCAD, we might have a better talking point if not all local Leagues rode the taconite bandwagon. As for future constitution revision--on principle--well? Another view, I'm sure, is that our support of the amendment will put us in a better horse-trading position on other issues. Two schools!

May 15, 1964

*file*  
Mrs. Edward P. Didier  
503 Ninth Ave., S. W.  
Rochester, Minn.

Dear Mrs. Didier:

Thank you so much for your thoughtful letter on our position on the taconite amendment. Your comments on your own reaction to our adoption, study and position on this item are very interesting and no doubt represent the reaction of other members, although we have not heard exactly these same comments.

Perhaps it would be best for us to reply to your letter a section at a time. The next Minnesota Voter will not be published until the middle of next month and is planned as a complete coverage of the state Council and a "look ahead". This naturally will include any discussions of Council relating to future work under our Constitution item.

We do plan to discuss at Council this whole problem of Program selection or adoption that leads us into the kind of problem you realize we have with this taconite amendment. We should be adopting Program items whose study and discussion leads us to general positions. Using these positions the various Boards can then evaluate specific legislation on government programs or ballot issues such as these amendments and decide whether or not we should support them to implement League position. As you know the constitution item was a non-recommended item because we felt the League would be more effective in its more traditional approach to Program.

By keeping to this approach we do not have the problems relating to consensus that are bothering you. We may have had a "yardstick" implied in this constitutional item but this was not spelled out in any way nor do we have a criteria for judging amendments that improve the constitution. This means that we did not "set aside a principle arrived at in laborious and traditional League way" for we had no such "principle". As this item was adopted we must study and evaluate each amendment.

This approach does not lead us to true consensus--and in the League consensus is expressed in terms of rather broad objectives.



Mrs. Edward P. Didier  
May 15, 1964  
Page 2.

Consensus within your unit is "the sense of the meeting" derived from the discussion that has taken place—not from specific votes of those present. It is the Board's responsibility to interpret the results of discussion and to help in this interpretation they like to have information on the number of members attending, areas and degree of agreement, areas of disagreement, the minority view and its strength, and areas in which the group was undecided. You can see then how a minority in a number of units in Leagues added to the majority in others may provide the kind of support that is needed to carry out action on a position. All of the information we can possibly have on the thinking of the members is invaluable in reaching a League position for we do not as you had decided reach a position on a "one League-one vote basis".

We feel that our "range" Leagues showed a great deal of restraint and respect for League procedures. (I do not believe Silver Bay sent their bulletin to everybody.) I know they were as surprised as you were that the League of Women Voters of Minnesota reached a position in support of the taconite amendment—but I am sure they are finding it easier to live with than you are.

I am sure that you will agree with the state Board that the effectiveness of the League of Women Voters of Minnesota is not totally dependent upon our actions on this amendment. Our position will serve a very useful purpose for our own members by making them more aware of the role each plays in the decisions of our "association of members."

We have a great deal of work ahead of us as we prepare for the next legislative session. There are numerous areas where the League is working alone and where we need to concentrate our energies. As we do we will remember your concern and try to help all our members have a better understanding of our consensus process.

If you have further questions or comments, I will be happy to hear from you.

Sincerely,

Mrs. Ma. W. Whiting  
President

ATW/mc



503 Ninth Ave., S.W. APR 20 1964  
Rochester, Minn.  
April 17, 1964

Mrs. William W. Whiting, Pres.  
State Board of Directors  
League of Women Voters of Minnesota  
15th & Washington Aves., S.E.  
Minneapolis 14  
Minnesota

Dear Mrs. Whiting,

This is a difficult letter to write- particularly since I hope that there is already an article in the next Minnesota Voter making it unnecessary. What I am asking for, and hope is already there, is a considerably more complete account than usual of the consensus which led to the stand the League has just taken in support of the Taconite Amendment.

Because I felt that by no conceivable stretch of my imagination could the Taconite Amendment be expected "to improve the state constitution", I voted for the League to take No Stand on this amendment although I expect to vote for it myself in November. It seemed to me that no matter how desirable this amendment might be to Leaguers as individuals, the League itself should not set aside for expediency's sake the yardstick which had been incorporated into our CA amendment item. I remember last spring at the State Convention when the Board was directed to include this specific amendment study under our newly adopted CA, older League hands seemed dismayed. As one of our delegates from Rochester said ruefully, "We'll be damned if we do, and damned if we don't" (produce a favorable consensus). However, it seemed to me that if the League took no stand and provided only Voter's Service on the Taconite Amendment, we could avoid either of these unsavory alternatives. It even seemed one of those happy occasions when there was nothing to lose by sticking by our principles.

My first thought when I read of the stand we had taken was that it seemed incredible that more LeaguERS had voted for support of the Taconite Amendment than had voted No or No Stand. Then I realized that I have never been quite clear about exactly how the consensus IS arrived at...individual votes or the votes of Leagues as a whole. I've been reading Let's Talk League, State By-Laws, Guide for Planning and such old Board Memos and Voters as I have on hand and I can find this spelled out clearly nowhere. Then, brooding, I remembered the discussion of the omission of women from our first CR at last May's Convention. The discussion of reasons for that omission, as I remember it, seems to indicate that consensus is reached more on a one League-one vote basis and that the headcount we take so faithfully is not the criterion by which consensus is reached but is more in the nature of a check on the enthusiasm reflected in a local League's consensus. (I suppose a consensus reached by forty one voting members, for instance, from a membership of one hundred and fifty plus would be considered less than compelling by the State Board no matter how clearly the will of the forty one was expressed.)

My next thought was that perhaps many of the northern Leagues reached as ferociously supporting a consensus as the one reached by Silver Bay ( did they send their bulletin to everybody?). I wondered if, in the face of such passion, the State Board might possibly have felt that No Stand votes reflected as much indifference as conviction and, so to speak, weighed a little less in the balance. As for those Leagues which could not reach consensus, surely such failures indicated a passionately divided membership rather than indifference.

And yet I'm certain that the State Board had no more desire than I to set aside a principle arrived at in the laborious and traditional League way. I'm certain that if it had been possible the Board would have taken the out offered in Section 2 of the Consensus and Action portion of Let's Talk League. ("The League does not take a position if there is a significant body of opinion within the group which is opposed to action.") The consensus must have been overwhelming.

When those Dark Thoughts crossed my mind in my first dismay (still deeply felt, I might add) at reading of our stand, I at least had my Convention experience to draw on to help me figure out answers to part of my questions and I have our state advisor as near as my telephone to clarify anything else I want. The reason I'm writing this letter instead of simply calling Mary Faucett or resting with my own solution of my initial head-count or vote-by-League confusion is that I'm sure if these questions have crossed my mind, I'm not alone. Other Leaguers troubled by the questions which troubled me may not have the convention experience and the easily accessible advisor.

I feel that the membership is entitled to as close <sup>an</sup> account as possible on which Leagues voted how (and even by how much) on this exceedingly touchy consensus and this might also be a golden opportunity for a bit of general education of our membership on exactly how consensus is reached.

Yours very truly,

*Shaw Didier*

Mrs. Edward P. Didier

Unit 8

Rochester League of Women Voters



file

May 15, 1964

Mrs. Leo D. Mosier  
4340 Washburn Ave. N.  
Minneapolis 12, Minn.

Dear Mrs. Mosier:

We always appreciate hearing directly from our members and we are sorry that you find yourself in the minority in the League on our position on the taconite amendment.

Your comments on constitutional reform we feel were clearly stated on page 10 of our publication "Proposed Amendments to the Minnesota Constitution 1964". This publication is not wordy but devoted to the basic issues and surprisingly enough highly commended by opponents as well as proponents of the taconite amendment. Furthermore more members actually purchased this publication, read it and participated in unit discussions on this issue than on any previous League item.

Because of this kind of member participation the consensus reports we received from the local Leagues included information that was most helpful in our evaluation and interpretation of the reports. They gave us a fairly clear picture of the strength of their minority as well as the extent of their majority so that there was a clear indication to us that the position of the League of Women Voters of Minnesota was in support of this amendment.

I am sure you agree that the League of Women Voters of Minnesota is not going to rise or fall on their action on this ballot issue. We must also continue our efforts in other areas where we will be working alone to promote those issues we know are in the public interest. We hope you will give the same thoughtful consideration to these issues as you have to constitutional revision and help us reach positions that are more compatible with your thinking.

Sincerely,

Mrs. William W. Whiting  
President

ATW/mc



MAY 7 1964

MAY 6 1964

4340 Washburn Ave. N.  
Minneapolis 12, Minn.  
May 6, 1964

LWV of Minn.  
810 Social Science Tower  
U of Minn.  
Mpls Minn. 55455

*sufficient info.  
with arguments  
on p. 100 - feel sufficient*

Dear Mmes,

I am a member of the Minneapolis League, Unit 55. As such I have long been interested in constitutional revision.

I know of our long and sustained interest in revising and streamlining our basic state document.

Because of certain powerful lobbies (e.g. the railroads with a gross earnings tax limitation), it became evident that a constitutional convention might not be possible in the foreseeable future, but that a piecemeal amending process could bring results.

To make the <sup>amend</sup>amending process easier, a commission appointed by Gov. Anderson proposed to the 1963 legislature a formula, as an amendment to the constitution---a <sup>proposal</sup> proposal in which the League was interested.

However, that proposal was pushed aside so that the Taconite Amendment could have clear sailing, paired as it is to an amendment to which no one can object.

I feel this Taconite Amendment if adopted and incorporated into our most basic document, the state constitution, will result in still another powerful lobby interested only in preserving and maintaining the status quo---in order to protect their tax shelter in the constitution.

To me the League's present stand on the Taconite Amendment is completely inconsistent with their former efforts at obtaining revision. For the League now to join the proponents of that amendment is practically to abandon forever our heretofore cherished concept of overall revision of the constitution of Minnesota. To expect ever to be able to do this with both the railroad and taconite lobbies opposed is naive and unrealistic.

I do not think the League was in a position to declare for the Amendment. Certainly judging by the stand taken in the Twin Cities Area (our most populous area) a true consensus has not yet been reached. I feel we were not given enough material to reach a true consensus.

I protest the stand announced by the state board. We should extricate ourselves from this dilemma.

Sincerely,

*Caroline M. Mosier*

(Mrs. Leo D. Mosier)

*Mrs. 16424  
Self  
Extended  
55345*

## Bedtime Stories for Boarders

### How Now Brown Cow?

Now that we have concluded our study of the amendments we are faced with the decision of what direction if any our Current Agenda Item II will take in the coming year. In presenting this program making problem to council we are faced with three possibilities:

1. We can throw the discussion open to the delegates without any direction from the Board.
2. We can ask the delegates to select from several alternatives selected by the Board.
3. We can present a program to the delegates and ask for their approval. Such a program could consist of either a recommendation that our continued action on the amendments would take too much time to permit the study of a new item or a recommendation for a specific article.

### Program in Wonderland

In evaluating these three possibilities it is useful to consider the direction received at the 1962 council and at the 1963 convention.

In 1962 Phylis Richter had prepared a Commentary on the constitution, sent it to the resource people in local leagues and asked them to come to council with their suggestions. The response was somewhat disappointing both in depth of knowledge reflected and in lack of unanimity. The areas suggested were the judiciary, the finance article, the executive article and home rule. Phylis had I think decided to work on home rule when she left.

In 1963 the state convention adopted "The amendments to improve the constitution" item as a non recommended item. Mrs. Berdie in introducing the item stressed the need of members to study all the amendments and take a position; the floor debate brought out the need for reviewing our old stands, especially on reapportionment. Varying directions for study of constitutional revision were received; among these were interest in exploring the finance article, reexamination of the home rule, restudy of reapportionment, study of proposed amendments and articles to which they relate.

The wording of the Item gives emphasis to improving the constitution rather than solving specific problems. It is difficult to work with because of the close relationship between constitutional law and the necessary implementing statutory law; some goals can be accomplished either by amendment or by statute. Though we say we are going to work for amendments to improve the constitution we have no real standards as to what does improve the constitution and this leads us to judging each article on its own merits. I would like to give a brief evaluation of the possibilities for study, consensus and action in the areas mentioned by the 1962 council and the 1963 convention.

"It is easier to get away with murder in rural Minnesota than darkest Africa".

Most of the difficulties in the administration of our courts are of a

statutory rather than a constitutional nature. Leaguers in proposing this article are thinking of reaching a support position on the Missouri plan for the election of judges, and considering our past background in the field of the short ballot, it is likely that a study would result in such a position, though we would have the possibility of supporting a purely appointive judiciary and the possibility of retaining our present system. There would, however, seem little chance for the League to get this amendment through the legislature without the support of the Bar Association, and though there has been a version of the Missouri Plan supported by a special committee of the Bar Association, they have never been able to get it supported by their convention. As a practical matter most judges first reach the bench by appointment rather than election, and incumbents are seldom defeated. It is unlikely that the bar association will take a role in this field without a major scandal of some sort.

#### Horse without a rider

That we need improvement in the executive article is recognized by the leagues position on "clearly-fixed executive responsibility" including the specifics of "fewer elected officials" and "provision for an executive budget". We have no specific stands on executive reorganization and might wish to examine the possibility of including in the constitution a provision for reorganization by the initiative of the governor or a constitutional limitation on the number of departments in the executive. We have no position on the thorny problem of the governor's power to remove appointees nor whether appointments of a cabinet or department head level should require "advice and consent" from the Senate; this would certainly become an issue in any discussion of the short ballot. The "clearly fixed executive responsibility" position might well give the Board powers to take action on certain amendments in the field of reorganization, but it is much easier to "strengthen the executive" in the abstract than to "give power to that man in the statehouse" and we might feel doubtful of real member support in a politically charged atmosphere. Thereasons for choosing this article for further study are 1) constitutional changes could really be meaningful in improving our government and 2) there might be a possibility of rewriting the whole article rather than piecemeal amendment; problems in its selection are 1) the relative indifference of our present governor in taking action here and 2) the prodigious amount of work that would be necessary in doing a survey of the administration to show where changes in the constitution would be helpful.

#### Home is where the legislature is

Home-rule meets every qualification for a good league topic: timeliness member interest, possibility for effective action. Since it is reviewed in the OR voter it is unnecessary to go into details. The problem here is how effective would the study of this problem be if it is limited to constitutional reform? This is an area where though there is a possibility of constitutional change most things can and probably will be accomplished by statute. A study if this area might evaluate the home rule sections of various constitutions and try to determine what effect constitutional provisions had had on the operations of the legislatures, but home-rule seems in a state of flux across the nation and it is somewhat doubtful that such a study would be at all conclusive. There is possibility



for some action under our CR position, and a new consensus related only to constitutional reforms is somewhat unlikely to expand our scope for action.

Money, money, everywhere----

The financial provisions scattered throughout our constitution are worth league study on the grounds that they fall the shortest of meeting standards of "good constitutional law" as set by experts. Detailed, difficult to read, they bring us to grips with the problems of theory versus political reality. By this very nature financial provisions have been most subject to amendment and such amendments are always difficult to evaluate. What would or could a league study in this area accomplish? Would we be able to arrive at a position setting forth standards by which we could judge amendments in the future? Or, would the failure to agree on such standards imply that we would make no attempt to evaluate amendments in this field in the future? How does our consensus on the Taconite amendment affect future action of the league in this field? Do we regard a possible support position as reflecting feeling that we are uninterested in setting up standards in this field? Or, would a failure to reach consensus on this amendment be a mandate for further study of the whole area? As a practical matter a complete revision of the financial article is probably dependent on a constitutional convention; possibility for action here would most likely be based on a consensus position supporting the removal of certain kinds of things. From the League's standpoint such a study could clarify our own thinking, provide a valuable basis for future study in the whole field of taxation, and incidentally we already have a publication on special taxes which has not been used by the membership as a whole.

Round and round we go----

In the 1962 convention caucus on the amendment item there was a proposal that if the amendment item was not adopted as a CA, a motion should be made to remove the reference to reapportionment from CR4 as proposed by the Board. Since the amendment item was adopted, CR 4 was amended to limit our position to support of a constitutional convention, and the delegates did not give an expression of whether they would continue with our old positions in this area. A discussion of reapportionment involves both an evaluation of whether we wish to act on our old position and of whether we wish to do a new study in this area.

Current League activity may be dated back to 1955 when the unexpected passage of the Bergerud bill by the house revived interest in reapportionment. The League did a study in 1956, lobbied in 1957, had a member on Governor Freeman's commission. In 1953 a Federal Court accepted jurisdiction of a suit asking that the 11th amendment be interpreted to apply "equal protection of the law" to legislative reapportionment; rather than impose its own solution the court referred the matter back to the 1959 legislature and with the threat of court action hanging over their head the legislature passed both the Bergerud bill for reapportionment, based on the 1950 census and to go into effect into 1962 and an amendment introducing an area factor into the Senate. The League took a consensus in 1959 and arrived at the following

criteria 1) no increase in legislative size; 2) a fair flexible, specific area factor in one chamber 3) guaranteed population in the other; and 4) effective enforcement machinery. The League found Amendment #2 did not meet these criteria and worked for its defeat; another objection to Amendment #2 was found in "frozen districts" in the Senate and the League reaffirmed its approval of a county representation plan that would have placed the area factor in the house.

How has the picture changed since 1959? In 1962 the U.S. Supreme Court in a landmark decision in the Tennessee case overruled lower federal court and decreed that the 11th amendment was relevant to reapportionment and that federal courts did have jurisdiction. This decision reverses a traditional policy that had held reapportionment to be solely a concern of the legislatures; its basis can be found in a denial of representation to urban areas by rural-oriented legislatures (8% of the population of Nevada could elect a majority of the Senate) and the way apportionment operated in the south to deny rights to colored voters. In 1963 the county-unit plan for primaries in Georgia was held unconstitutional and a 1964 decision was set aside congressional districts in Georgia, stating that such districts should be as equal as possible in terms of population. Cases to be decided this year will deal with (1) the legality of an area factor in one house of the legislature and (2) whether the court has the power to reapportion if the legislature fails to do so.

In two years since the Tennessee Case there has been a flood of court cases demanding reapportionment where the legislatures have failed to do so and also questioning the constitutional formulas in state constitutions for apportionment. All but eight states in 1963 had major reapportionment legislation pending, or in the courts. In this torrent of activity Minnesota has remained a quiet backwater, adopting a "wait and see" attitude. There is as yet no real sentiment expressed by legislators for reapportionment in terms of the 1960 census and new legislation is presently not expected to come out of the 1965 session. However a court suit (it is incredible that we don't have one) could change the whole picture, and certainly legislation will be introduced in 1965. A court decision permitting an area factor in one house will give impetus to a movement to introduce such a provision into Minnesota's Constitution. The League has already been asked to help in writing such an amendment; we are therefore faced with the problem of whether we wish to act on the basis of our 1959 criteria.

Nationally there has been a strong movement towards the "one man-one vote" philosophy, a philosophy reflected in many lower court decisions (though not all). In most cases where "area" provisions were thrown out, the ~~1959~~ formula were not "fair" or "flexible". In so far as the area factor has been accepted as a compromise by urban areas as the only way they could get adequate representation in at least one house, court activity makes this compromise unnecessary. Since 1959 we also have 800 new members in the League and a lot of our old Leaguers are probably unaware of just what our stand is. Dorothy Anderson (our 1964 reapportionment lobbyist) feels we need new evaluation. Betty Kane (firmly committed to area) also feels a reaffirmation of area would be necessary for support of an amendment. All these factors point to the need for a new consensus.

On the opposite side one can say that our 1959 consensus on area was exceptionally strong and if we "go along" with area we will be working with those legislators with whom we are generally at odds and this could strengthen our whole legislative program; in writing a new amendment we will be in a strong position to insist that such an amendment meet all League criteria; other than "area" the rest of our criteria would seem unaffected. Even though it is possible to go to the courts where the legislature refuses to act this does not seem like a very desirable way of getting action and some other machinery should still be available.



The above discussion shows why our stand on area may no longer be valid as far as Leaguers are concerned. It does not mean the Leaguers might not reaffirm an area factor in one house. There are many arguments to be made in opposition to the "one-man, one vote" philosophy such as the desirability of giving a rural minority a voice, the federal analogy, and the desirability of making sure in a bi-cameral legislature that the two houses have different composition. When Minneapolis and St. Paul realize that by 1970 they too may be losing representation to the growing suburbs their enthusiasm for "population" only might well diminish. Indeed we might not be able to reach consensus at all.

We have left unanswered the question of what the Supreme Court may do. Although any League study would be undertaken after Supreme Court decisions were in, it is interesting to guess how the decisions affect Minnesota:

1. The Supreme Court will certainly not come out for mandatory area factor.
2. It is equally unlikely that they will require population only in both houses.
3. They might define some sort of reasonable area factor for one house. This type of decision will involve them in hearing numerous cases on how various states conform to "fair" area.
4. An alternative is not to make a decision on area vs. population at all and use some other legal ground for evaluating apportionment. One such basis might be that apportionment must rest on "consent of the governed". On this basis cases could be decided on whether or not the people had a chance to vote on formulae and whether statutory districting was "arbitrary and capricious" in terms of the state constitution. In other words, legislatures would have to apportion as their constitution requires (Population only in Minnesota) or they would have to submit an amendment with an area factor to the voters.

And they all lived happily ever after ---

A final aside: All the above discussion is on the rather narrow basis of improving existing institutions in the sovereign state of Minnesota. The bureau of the census predicts that the year 2000 there will be three hundred million people in the U.S., 4/5 of them living in urban areas. The current reapportionment battle is probably just the first round in a series of decisions that will be made to decide how we are going to provide effective government in this new situation. Does a decision on population in both houses lead us ultimately to a small unicameral legislature functioning much as a city council does today? Or in speaking of area (and area means counties) do we envisage consolidated counties really governing themselves by home-rule? And, where would our strengthened executive fit into either set up? These are some of the questions we are going to have to ask ourselves.



The following League members have endorsed this letter:

Unit 31

Kathy Leabo (Mrs. C.J.)  
Dimi Mitchell (Mrs. J.C.)  
Alene Grossman (Mrs. Norman)  
Sue Sedgwick (Mrs. Alfred)  
Barbara Bollog (Mrs. Fred)  
Joan Forester (Mrs. Ralph)  
Mary Ellen Lifson (Mrs. Carl)  
Jane McKinlay (Mrs. Gordon)  
Phyllis Peterson (Mrs. Richard L.)  
Nancy Witta (Mrs. Jack)  
Josephine Hoffman (Mrs. Milton)  
Joyce Field (Mrs. Harold)  
Jean Gordon (Mrs. Leonard)  
Eileen Krome (Mrs. Stanley)

Barbara Upgaard (Mrs. Robert) At Large  
Florence Livingston (Mrs. H.H.) Unit 53  
Eleanor Moen (Mrs. J.K.) Unit 55  
Dottie Speidel (Mrs. Glenn) Unit 28  
Carol Vaubel (Mrs. Lawrence) Unit 15  
Shirley Zimmerman (Mrs. Peter) At Large  
Mrs. Mercer Cross Unit 28  
Jean Grossman (Mrs. Harold) At Large  
Evelyn Paul (Mrs. Macey) At Large  
Jan Shapiro (Mrs. Irving) Unit 15  
Mrs. Leon Ekola Unit 28  
Helen Bard (Mrs. Joseph) At Large  
Joye Harris (Mrs. Sigmund, Jr.) At large  
Audrey Rees (Mrs. Robert) Unit 48  
Mrs. D. Allen Bruce (Unit 53)  
Mrs. Francis Storlie (Unit 53)  
Mary Nepper (Mrs. Robert) Unit 35  
Dorothy Skwiera (Mrs. Edward) Unit 35

# LEAGUE OF WOMEN VOTERS OF MINNESOTA

STATE ORGANIZATION SERVICE, UNIVERSITY OF MINNESOTA, MINNEAPOLIS 55, MINNESOTA

May 19, 1964

Dear

Your letter raises a number of questions both philosophical and specific. Let's start with a discussion of principles.

As you know, constitutional revision has long been a goal of the League. During the course of our study we have developed both a general philosophy and a number of specific stands such as clearly fixed executive authority and adequate legislative session. Part of our philosophy is that the constitution should be a broad basic document and not a collection of statutory declarations. However this is not a consensus position, nor can it be. All groups, including the League, that are working for constitutional reform denounce statutory provisions as limitations on truly representative government and then turn right around and begin listing areas they feel should not be left to legislative discretion. In the reapportionment field, for instance when the League spoke of "guaranteed population" in one house we were thinking of a very specific statutory kind of statement such as "population shall not deviate from the average by more than 15%." Again in the executive article the League might well want to support a constitutional declaration of policy on what has been a statutory matter: length of term and method of appointment of department heads.

The financial article or provisions-for tax policy is scattered throughout the constitution--have presented particular difficulties. "That government should maintain an equitable and flexible system of taxation" is one of the League's principles; but we have no precise criteria for judging just what should be included in the constitution. This has led us to evaluate each amendment in this field on its own merits. Thus the League supported the debt amendment "to let Minnesota get on with its building program", we supported an amendment on investment of trust funds to "increase revenue to the state" and the League is supporting the taconite amendment "to provide a favorable tax climate for investment in northeastern Minnesota." Justification for the emphasis on economics may be found in another League principle: "that government should---promote a stable and expanding economy."

Perhaps I should add an additional word about the "flexibility" of this amendment. The limitation on the legislature's power is that they may not change the formula for computing the occupation tax; the flexible feature is that they have the option of imposing the normal corporation income tax except that three provisions (asked for by the legislature) enable them to recognize the special characteristics of the taconite industry and have the effect of enabling the legislature to impose a higher tax than the usual formula might allow. You may ask "Wouldn't just removing the Occupation Tax entirely from the constitution permit even more flexibility?" The answer seems to be no: the removal of an established



Page 2.  
May 19, 1964

tax from the constitution would probably be interpreted by the courts as a mandate to the legislature to apply only the normal corporation income tax.

You also question the relation of the taconite amendment to the wording of our Current Agenda Item. As this item has developed in the past three years we have focused our attention on ballot amendments; most amendments proposed by the legislature are written with the view of solving a specific problem with less emphasis placed on their relationship to the rest of the constitution. Is the study of ballot amendments the right approach to an improved constitution? The second half of the original purpose of this was that the League should propose its own amendments, but the constitution does not exist in a vacuum, and one must understand the problems of the state to propose or support an amendment: our whole tax structure would be involved in a major revision of the financial article. And, just passing an amendment may be doing only half the job, for we should also be concerned with necessary statutory implementation; Home rule is a case in point. We as a Board are questioning our whole approach to constitutional revision and we are glad to see similar concern expressed by members such as you.

I could spend six pages detailing the many thoughtful consensus reports we received: this study produced higher member participation, interest and understanding than any we have ever done. When members wrote that economic considerations were the most important, they were thinking in terms of increased employment and prosperity for the people on the range. They did not look at this amendment as just a matter of expedience, but were concerned with the humanitarian aspects of its passage. A controversial amendment such as taconite is not ideally suited to the consensus procedure. The Local League Handbook states that consensus should be taken on principles, not specific legislation and that the Board should decide the League's action on the basis of position. In taking a consensus on this amendment we were both dealing with specific legislation and were asking an action question. One of the problems with doing this is that "no stand" becomes an action in itself. On the basis of the returns we found 65% of the members supported the taconite amendment with the remainder split almost evenly between no stand and opposition.

We will not rescind our stand; however we do thank you for your thoughtful letter and we appreciate your concern for the League.

Sincerely,

Mrs. Earl Colborn  
Chairman, Constitutional Item



SUPPLEMENTARY MATERIAL  
ON THE TACONITE AMENDMENT

The basic issues---economic, tax policy, and constitutional---are covered in "Proposed Amendments to the Minnesota Constitution 1964". However opponents of the amendment have raised a number of other questions relating to the state's policies on conservation, water pollution, land leases, etc., as applied to the taconite industry. None of these policies is directly related to the amendment, nor will the passage of the amendment restrict the legislature's powers to modify policy in these areas if it should prove necessary.

In general both supporters and opponents of the taconite amendment agree that Minnesota's treatment of the taconite industry as opposed to natural ore has been fair. Proponents argue that passage of Amendment I will simply guarantee a continuation of this policy and give assurance that the high tax burden imposed on natural ore will not be shifted to taconite as natural ore is exhausted. Opponents of the amendment contend that the fair treatment given taconite up to this time makes the amendment unnecessary; some go on to argue that Minnesota's policy has not only been "fair" but has in fact constituted a giveaway. Here are some of the areas under discussion:

A. Conservation

The proper use of natural resources consistent with sound conservation practices and the preservation of wilderness areas should be the aim of state policy. Exactly how strict regulations should be for mining is a matter of debate, typified by the Wilderness Bill now (July, 1964) before Congress and the widely different Senate and House versions, with the Senate bill imposing much more stringent restrictions on mining.

Opponents of the taconite amendment question that the state is exercising proper controls. They question some of the exchanges of state land for private land. They express concern over the effect mining will have on the scenic beauty of the area and question adequacy of regulations on the cutting of trees by mining groups. In brief they would prefer that northern Minnesota be reserved as a vacation land.

Supporters of the amendment point to the taconite industry as an outstanding example of what can be accomplished by the well-planned use of waters and other natural resources, say that state regulations are adequate and that taconite companies have cooperated with the Izaak Walton League and other groups concerned with conservation. Although it is not possible to mine ore without leaving a hole in the ground, they feel this type of mining should be distinguished from the strip-mining operations of the coal industry which have left unsightly gouges on the earth. They feel that mining sites both those presently in operation and those abandoned, have become more of a tourist attraction than an eyesore.

B. Water

Here again opponents point to broad powers given mining companies in the diversion of public waters and question that regulations are adequate. They express similar concern about regulation on deposit of wasteproducts and water pollution.

The drainage, diversion or control of water for mining purposes is under the regulatory control of the Commissioner of Conservation. Diversion of streams and drainage of lakes have been made to displace water temporarily to permit the mining of iron ore under lake beds. Permits for stream or lake relocations usually require restoration of facilities after operations cease. All pits are below the natural water level and large capacity pumps are required to keep the water down while mining operations are carried on. When mining is completed these pits fill up rapidly with underground water.

Supporters of the amendment point out that the ponds so formed will support fish and that several now provide excellent trout fishing.

Large quantities of water are needed in the processing of taconite; disposal of the waste water with the sandy tailings is under the control of the Water Pollution Control Commission. The system established by the industry and approved by the Department of Conservation results in 90% of all the water being recaptured and reused in the beneficiation process.

Supporters of the amendment point out that no taconite plant may either take public waters or deposit waste products without obtaining permits which are granted only after public hearings.

#### C. Lease of State Land

The state owns substantial quantities of land on the Mesabi Range which have been acquired from the federal government under the School and Swamp land grants; other lands were acquired by the state because of tax delinquency. Also the State University has been granted large acreages in the Mesabi area. 10,494 acres are presently under longterm lease to taconite companies; the average of all royalties paid to the state is approximately 16¢ per ton; the earliest these leases expire is 1991.

Opponents of the taconite amendment point out the 16¢ per ton received by the state compares unfavorably with the average royalty now paid private owners; such royalties now average between 53½¢ and \$1.00 a ton. Most of the private leases provide escalator clauses which with a rising price of ore would allow these royalties to go still higher; in general state leases do not have an escalator clause.

Supporters state that leases granted by the state in 1941 were not out of line with other leases granted at that time; in 1941 Erie Mining Company was just developing the pilot plant that proved taconite was commercially feasible; also World War II was just beginning and it was the tremendous demand for iron ore during the war plus the inflation afterwards that caused the rapid rise in prices; many leases granted in 1941 did not have escalator clauses. Since 1951 the Legislature has required an escalator clause in all state leases; the most recent leases to a taconite company by the state provide for a royalty of from 75 to 81¢.

League of Women Voters  
of the United States

NOV 2 1964

# Memorandum

1026 17th Street, N. W. - Washington, D. C. 20036

October 23, 1964

This is going on  
Duplicate Presidents Mailing

TO: Local and State League Presidents  
FROM: The National Office  
RE: Election Scorecard

Is your League working on an issue on the November 3 ballot?

We are preparing a scorecard on League action in the community and we need your help!

Would you please fill in the below and return it to us as soon as results are in following the November 3 election. (NOTE: State Leagues report only on state items -- local Leagues only on local items.)

LEAGUE Minnesota

BALLOT ISSUE Amendment #1, establishment of policy for taxation of taconite

Amendment #2, removal of obsolete provisions of State Constitution

LEAGUE POSITION Support -- consensus taken on both of these amendments

ELECTION RESULTS

Pass? Yes

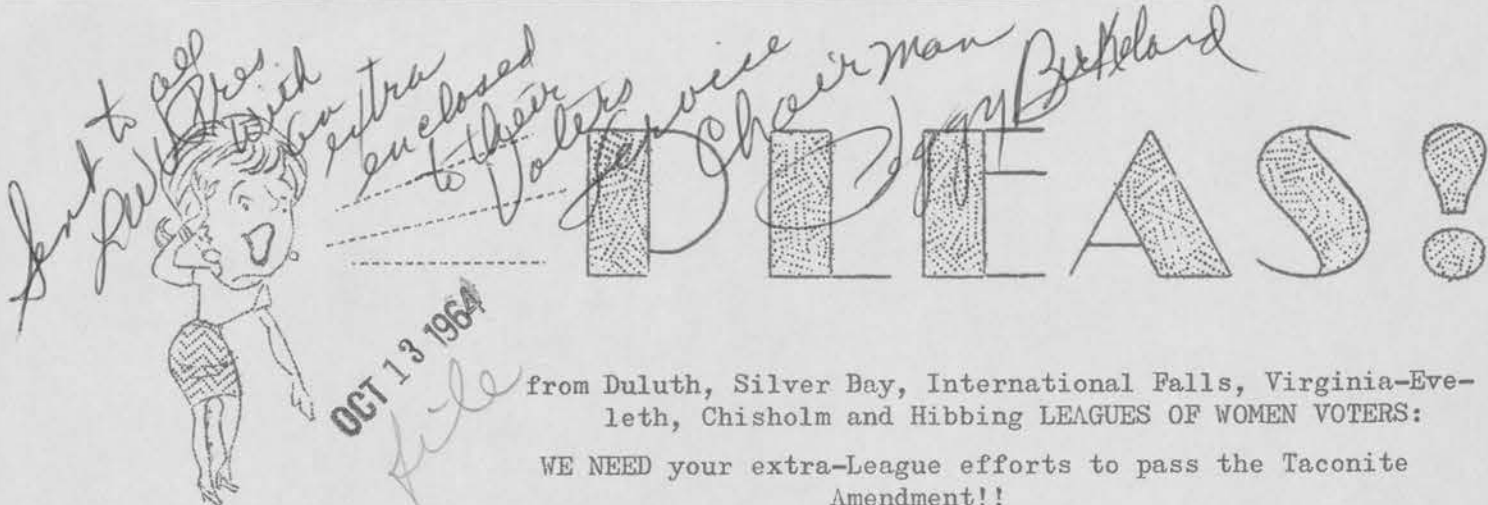
Defeated?

By what percentage? 80% amend. 1, 70% amend. 2  
(approximate figures will do)

COMMENTS:

THANKS!





from Duluth, Silver Bay, International Falls, Virginia-Eve-  
leth, Chisholm and Hibbing LEAGUES OF WOMEN VOTERS:

WE NEED your extra-League efforts to pass the Taconite  
Amendment!!

WE KNOW that your LWV members are by now thoroughly conversant with all of the various  
economic, constitutional and tax policy factors which make the Taconite Amendment  
necessary to Minnesota as a whole.

HOWEVER ----- we know that there is still much confusion, prejudice,  
and most-serious-of-all APATHY concerning Taconite on the part of the average voters  
throughout the State.

WE KNOW that the Presidential election will bring out a larger number of voters, which  
while gratifying, means passage of the Amendment is in jeopardy because of the same  
old "no vote is a 'no' vote" stipulation.

SOMEHOW WE MUST PUT ACROSS TO THE AVERAGE VOTER THAT THE TACONITE  
AMENDMENT DOES MAKE A DIFFERENCE TO HIM ---PERSONALLY---NO MATTER  
WHERE HE LIVES IN THE STATE!!

Though he is busy with his individual problems in his own area, it is the duty of the  
League of Women Voters to focus his attention on the broader problems of Minnesota  
and to make him realize that ...HIS FUTURE TAXES .... HIS MARKET FOR PRODUCTS ...  
HIS EDUCATIONAL SYSTEM ... HIS LIFE AND POCKETBOOK...

WILL BE AFFECTED by the passage of the Amendment.

We League of Women Voters members in Northern Minnesota daily feel the results of the  
dying natural ore industry--which is inevitable and irrevocable because of the de-  
pletion of the resource and the technological advances which make TACONITE the mar-  
ketable product that steel producers want to buy.

This drop in natural ore production has not been balanced by the development of  
taconite plants which can potentially, according to the Minnesota School of Mines,  
produce 50,000,000 tons of pellets for the next 300 years!

We are faced with serious unemployment and climbing welfare costs--- a drop in proper-  
ty values and a slump in business and sky-rocketing individual tax burdens. Our fami-  
lies, friends, and communities must have TACONITE as a basic industry to survive and  
prosper in the future if we are to be contributors to the future welfare of Minnesota  
and not be a welfare drain on the rest of the taxpayers of the State.

To compete with other states and the world for the establishment of taconite  
plants we must give assurance of fair tax policies for the future by the a-  
doption of this Amendment.

THEREFORE, WE SEND THIS PLEA ! .....

that you, your board, your members give an extra ounce of League  
energy to alert the voters of Minnesota in your area to ...  
the real factors which face them in making their decision about the Amendment,  
the importance of voting on the Amendment, because "if they don't vote,  
it's a 'no' vote" and  
the fact that their own futures as tax-paying, producing Minnesotans are in-  
volved in this question.

You have already, we realize, received materials from the Citizens' Committee for  
Taconite and from the State LWV office. This is a PLEA that you help us to help  
ourselves and all of the State to utilize its mineral, economic and human resources  
for a brighter future.

It is an offer of any help we may give you during the next crucial month in providing  
speakers, pamphlets, special mailings which will help pass this League of Women Voters  
ENDORCED AMENDMENT. May we hear from you soon?

YOURS TRULY FOR TACONITE,

Mrs. John Dettman, Pres.  
1405 North 8th Ave. E. Duluth

Mrs. Allen Thorngren, Pres.  
Little Marais

Mrs. Thomas Riley, Pres.  
Box 352, International Falls

Mrs. N.T. Rykken, Pres.  
39 Taconite Drive, Virginia

Mrs. Dorothy Johnson, Pres.  
431 S.W. 6th St. Chisholm

Mrs. Harlen Hedtke, Pres.  
3730 1st Ave. Hibbing

Office  
Memo to: Ele Colborn  
From: Annette Whiting  
Re: Constitution Item and Board decisions

10-4-64

Before I get to your memo thanks for the offer to attend Taconite meeting Wed.. I have already made arrangements to attend and think I should because it is last but if you can arrange it why don't you come too. I figured it was probably easier for me than for you at that hour because of the age and size of my family.

C  
O  
I shall be anxious to have the reapportionment material out. You mentioned a "covering letter"...what did you plan for that? I am lost--what paragraph in which League-O-Gram isn't quite right? Your comments on "principle" are duly noted but we still are not understanding each other on this particular situation. I certainly do not want you to think I was discussing the merits of federal court action...that was not "the issue" in my mind. I was discussing whether or not we had a League position. Such decisions should not be made on the basis of personal philosophy--you would be surprised to know how liberal I can be but I do have rather close association with the very conservative viewpoint! Decisions relating to Program must be made on the basis of our understanding of previous statements of League position (in some cases this may have to include consideration of the validity of such positions). History of League Program shows the human element influencing continued decisions of this nature--each Board's interpretation has a tendency to vary from that of the previous Board. We need to consider the extent of member knowledge and the real strength of their agreement. We need to consider past history--how hazy are we as a Board and what does this reflect in the way of member thinking. In the light of present day situations are these positions valid--do our members still think they are? The case of reapportionment is certainly a typical example.

P  
Would THE STATE YOU'RE IN AND COMMENTARY ON MINNESOTA STATE CONSTITUTION be recommended reading to Board members before they discuss the Constitutional item? What would be needed to update members to prepare for action "if" it should come in this session? I think the Board needs to know this in reaching decisions on policy relating to some of these items such as "we will support a 60 day annual session."

Y  
I am a bit confused by your underlining...you say they are statements of policy. How many of these are statements that need Board approval...by this I mean what requires some Board discussion and decision and what do you feel needs no further interpretation or do you want all policy to be reconsidered in the light of the various things I mentioned above?

I agree with you that Board members must assume responsibility for Program decisions. Having sat "on the other side" for so many years I know that this is not easy and the main reason for this is that the Board is not taken along from the beginning and then are suddenly expected to make decisions with insufficient understanding and information; in other words they are expected to "rubber stamp" what has already been decided more or less by the experts. About this time the experts become annoyed because it takes so much time to answer what appear to them to be insignificant questions...I do not mean this is your case for I believe you bend over backward to "clue us in" on the problems. I had hoped that good use of Board committees might help to have better informed Board members...for example have you discussed all this with your committee? If you had been able to discuss the problem of federal jurisdiction and area factor with your committee before the Board meeting perhaps we would have had a better participation in our discussion...this is just perhaps. I realize the problems of getting together for meetings but the kind of thoughtful memos you send me help me to think through some of these problems and hopefully make better decisions and I think the same thing might be true with your committee members.



Another subject--disunion amendments--did I ever give you the impression I was a supporter of these amendments? I can't imagine how that could have come about! My chief concern here is how we get in to the act.....I would like to see the memo or letter or what ever it was giving us permission to lobby against amendment 2. I have gone through my files and find nothing relating to this. (problems of being so far from the state office and its files and a ready telephone).

I think it unfortunate that Minneapolis and St. Paul have reapportionment workshop on the day you will be in Brainerd...still must figure out how to be more than one place at a time!

I will be in Wednesday and perhaps will talk with you then and will bring your memo so that it can go out with agenda.

C We keep you very much on the run and you are so gentle and unassuming (in your nice positive way) that I am afraid that I fail to mention what I feel so often--three cheers for Ele and the tremendous job she is doing for us. You must realize how much we think of you and the work you do...this should be satisfying to you but to add to that is my very special thanks. The greatest bonus we have in League is the opportunity to work with such wonderful people.

O  
P  
Y



April 22, 1964

Mrs. K. Mizuno  
2093 Birch Street  
White Bear Lake, Minn.

Dear Mrs. Mizuno:

How I wish you might have participated in our evaluation of the consensus reports on the taconite amendment -- for if you had, I do not believe you would have lost your "faith in the wisdom and objectivity of the decisions of the League." Fortunately our task was made less difficult by the high caliber of the consensus reports such as we received from you.

We could have made these reports say many things by "playing" with figures. Let's take your work with some figures for example-- your membership figures that give you a majority of the state League membership within "19" Leagues not supporting the amendment are not correct. This is not important, however, for you are failing to recognize the minority.

Because of the very nature of this issue Leagues were quite detailed in their reports thereby giving us a good picture of the kind of support we could expect. We realize that the key word is "substantial" and we interpreted the reports from the local Leagues to be sufficiently substantial for the League of Women Voters of Minnesota to be effective in their support of this amendment.

We are hoping that our members realize the problems created by study and action on a ballot issue such as each constitutional amendment. This is not a true consensus nor does it make for the kind of Program in which the League can be most effective.

I hope that our actions in the future will be such as to restore your faith in the League. I wish you success in your party work.

Sincerely,

Mrs. William Whiting  
President

AW:rw